



HM TREASURY



National Audit Office

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**From Private Finance Units to Commercial Champions:**

Managing complex capital investment programmes utilising private finance

A current best practice model for Departments

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# Foreword

Over the past few years the National Audit Office (NAO) has reported a number of times on how individual Departments were managing programmes involving PFI and PPPs.<sup>1</sup> This has led the NAO to believe that the way Departments manage their programmes plays a key role in achieving success and value for money. As part of this work, Departments have often asked the NAO how they compared, whether the issues the NAO has raised were common to other programmes, and against what scale the NAO was assessing them. But although the NAO's work on PFI and PPP projects has covered nearly all sectors, it did not provide a clear picture of how each Department compared in the management of their PFI and PPP programmes. The NAO felt that it would benefit from finding out, while Departments would benefit from sharing one another's experience.

Meanwhile, HM Treasury (HMT), which has responsibility for PPP policy and ensuring the overall value for money of PFI and PPP investments, wished to examine the best practice Departments demonstrated in delivering PFI and PPP projects. HMT wanted to facilitate the sharing of this best practice across Departments. It also wished to assess whether the skills and experience within teams specialising in delivering PFI and PPP projects could be deployed more widely within Departments in support of other complex investment projects or programmes.

For these reasons, HMT and the NAO jointly approached ten Departments in October 2009 to invite them to share their experience in managing programmes and to explore common themes between Departments. Between October and December 2010 we jointly conducted a series of interviews across Departments. We incorporated our findings from these with our collective back catalogue of work with these Departments to produce the model presented here of the functions common across Departments. We invited the individuals in charge of the Department teams with responsibility for PFI and PPP policy to a seminar in February 2010 to give their feedback on our model.

<sup>1</sup> *The Operational Performance of PFI Prisons* (HC 700, 2002-2003); *Department of Health – Innovation in the NHS: Local Improvement Finance Trusts* (HC 28, 2005-2006); *Allocation and management of risk in Ministry of Defence PFI projects* (HC 343, 2007-2008); *The Building Schools for the Future Programme: renewing the secondary school estate* (HC 135, 2008-2009); *Department for Environment, Food and Rural Affairs: Managing the waste PFI programme* (HC 66, 2008-2009).

We are publishing this model to provide guidance to Departments on HMT's and NAO's expectations of how they should manage their programmes involving PPP and PFI projects. We expect that it will also be relevant and useful to any Department or team that is planning to deliver any programme of complex capital investment projects. It is meant to stimulate thought within each Department about whether they are doing as much as they should to manage their programmes in line with current best practice. It is also meant to encourage Departments to talk to one another more about how they manage their programmes, and to explore opportunities to exchange best practice. And it is also meant to stimulate wide ranging debate about whether the current best practice is the best Departments could be doing.

David Finlay  
Director, Corporate Finance and  
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# Introduction

The model described in this report is based on our interviews and past work with Departments' teams managing programmes of Public Private Partnerships (PPPs) and Private Finance Initiative (PFI) projects. These teams are often known as Private Finance Units, but have a diversity of names and roles. In the model we call them the Unit.

We thank the ten Departments and their Units involved in this review for their help in producing this model:

- Ministry of Defence
- Department for Transport
- Department for Children, Schools and Families
- Department of Communities and Local Government
- Department for Culture, Media and Sport
- Home Office
- Ministry of Justice
- Department of Health
- Department for Environment, Food and Rural Affairs
- Department for Business, Innovation and Skills

The model provides Departments with:

- an understanding of current best practice amongst their peers;
- an understanding of the functions and activities that HM Treasury and the NAO expect from Departments in their oversight of their respective programmes involving PPP and PFIs; and
- a benchmark against which they can assess their own activities to provide themselves with assurance that they are meeting current best practice.



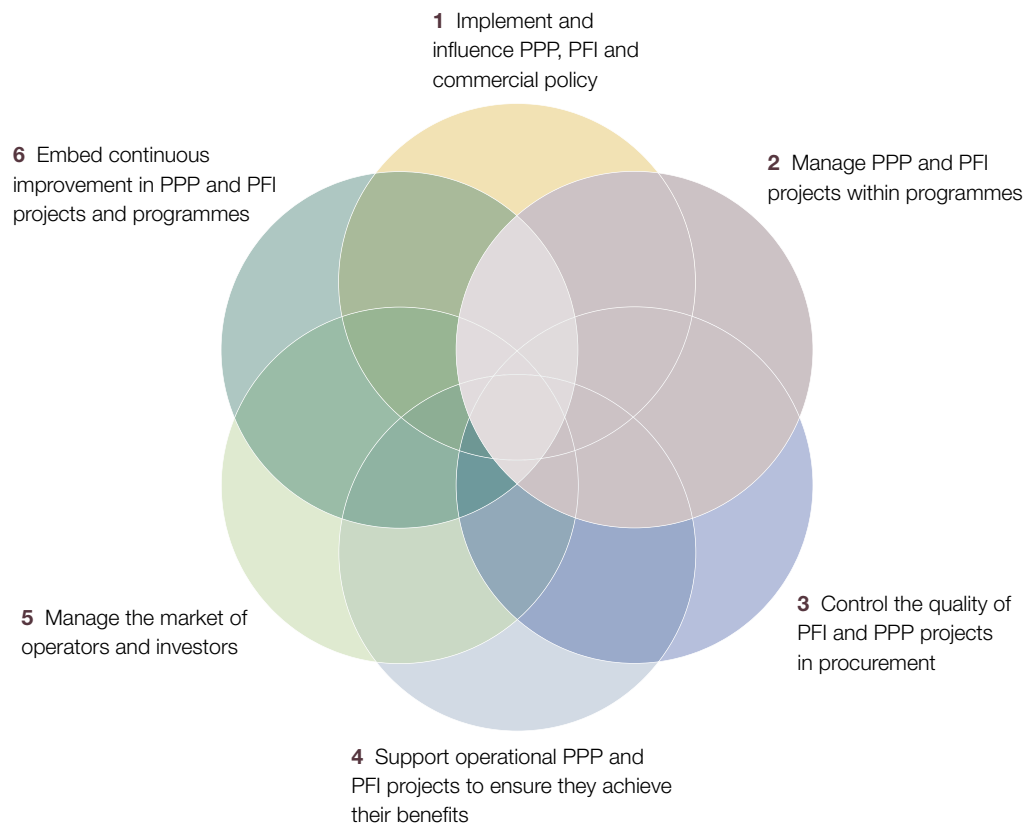
## What is this model?

- **Normative:** it sets out HM Treasury and NAO expectations of what the Units ought to be doing.
- **Inductive:** it is based on our observations of real practice. Even where it is aspirational, at least one Department is striving to do this.
- **An ideal type:** no-one actually does all of this; it takes the best practice from across Government, and sets out what it would be like if an organisation strived to undertake all the best practice.
- **Generic:** it is not tailored to any particular Department. We believe every Department could benefit from looking at this model, but we accept that each will want to implement it in their own way.
- **Supplementary:** it does not replace and is compatible with existing NAO, OGC and HM Treasury guidance.
- **Not the final word:** we look forward to hearing from others on their views, and especially to hearing of practice that improves upon the best practice contained here.

# The Six Functions of our best practice model

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To manage complex capital investment programmes utilising private finance each department must undertake six functions:



These functions are normally undertaken by a single unit (the Unit).

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## Using the best practice model

The model identifies **six functions** of Departments in relation to PPP and PFI projects and programmes. In turn, each function is broken down into two to three **sub-functions**, which provide further detail of what we mean by the function. The model assumes Departments manage their complex capital investments programmes utilising private finance through a single unit (the Unit).

For each sub-function we have set out a **maturity scale**, with three descriptions of practice we identified at Units. These are labelled from ★ (least mature) to ★★★ (most mature). These are **cumulative**, rather than mutually exclusive, so the best practice is to undertake the actions identified in all three.

We have also included between two and three case studies for each function. These represent maturity at ★★ or ★★★ levels. The case studies are taken from our interviews with Departments. Although we have checked our understanding of the case studies against our previous work, we have not audited them. They are provided to illustrate the model and suggest places to turn for inspiration.

At the end of the model, we have set out some **enablers**, which help Units to achieve effective practices across the six functions.

# Function 1

## Implement and influence PPP, PFI and commercial policy

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### 1.1 Policy and influencing

The Unit has responsibility for implementing value for money PPP and PFI policy and influencing wider commercial policy.

- ★ The Department ensures PPP and PFI activity is coordinated, although not necessarily by a single Unit. The Department assesses VFM of the use of private finance on a sector-by-sector basis.
- ★★ There is a single Unit that manages major PPP and PFI investment. The Unit consolidates and reviews lessons learned from individual projects to influence changes to wider commercial policy and guidance.
- ★★★ The Unit helps to set the Department's strategic direction for the use of PPP and PFI investment and its approach to other forms of complex procurement. For example, by defining how and when PFI credits should be allocated. It ensures that sector-specific and general delivery issues are fed into HM Treasury's development of general PPP and PFI policy.

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### 1.2 Delivery models

The Unit undertakes horizon scanning and helps policy, finance and delivery partners to identify the best delivery models for policies in development.

- ★ The Unit is responsible for the delivery of PPP and PFI programmes once the delivery option has been approved. It is able to influence changes to the underlying policy goals of its ongoing programmes where this will improve deliverability of VFM.
- ★★ The Unit helps policy, finance and delivery partners to explore and choose between the different delivery options, by providing an expert view on PPP and PFI. The Unit helps to develop a robust delivery plan for policies in development wherever PPP or PFI are short listed as possible delivery options. The Unit will also help assess the overall funding requirement and help build that into wider Departmental spending requirements.
- ★★★ The Unit undertakes horizon scanning of the external political and economic environment. It uses this knowledge to inform the development of its existing programmes and to inform policy, finance and delivery partners when helping them to choose the appropriate delivery model.

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### 1.3 Non-PPP or PFI complex procurement

The Unit provides commercial, technical and legal advice and support to non-PPP or PFI complex procurement projects acting as part of the general commercial capacity across the Department.

- ★ The Unit shares its knowledge or provides assistance to non-PPP and PFI projects on an ad hoc basis.
- ★★ The Unit is recognised as a commercial centre of expertise. It supports the Department's scrutiny and approval processes for complex procurement projects.
- ★★★ The Unit's skills are deployed across the Department. The Unit has a remit to act beyond PPP and PFI programmes and will assist, or form part of, the project team for other forms of complex procurement.

## Case studies: Implementing and influencing PPP and PFI policy

### The Department for Transport (DfT)

Within the DfT each PFI programme and project is owned by a sponsoring division or Agency, which defines the policy objectives and project requirements. Project development and procurement delivery is managed by the contracting authority (which could be one of the departmental Agencies or a Local Authority).

The Department's Corporate Finance Team provides oversight on the implementation of overall PPP and PFI policy, coordinating the activity on PPP and PFI projects and other complex procurements. It works closely with each procuring Authority from project design into the operational phase.

By coordinating its activity on PPP and PFI projects together with other complex procurements, the Corporate Finance Team is able more effectively to influence wider commercial policy within the Department and across Government by bringing to bear an intimate understanding of commercial policy issues affecting projects in procurement. This also allows it to take a more holistic approach when sharing its commercial skills and expertise with policy team colleagues, helping them to consider the different procurement and financing options available.

### Department of Health

The Department of Health's commercial investment team is mainly focused on the delivery of large-scale investments, such as PFI hospitals. However, it also provides commercial expertise to other parts of the Department on issues such as the funding of Independent Sector Treatment Centres; the incorporation of NHS Professionals as a limited company, prior to its sale; the acquisition of DCI, the blood plasma business in America; the purchase of PUK's share of Community Health Partnerships; assisting the Cancer Policy team in the procurement of a new generation of proton therapy equipment; and allocation of staff to work full-time for the Pandemic Flu Preparation team. In this way the team employs the commercial skills and experience it has built up through the delivery of PFI projects to improve the Department's delivery of non-PFI/PPP projects.

# Function 2

## Manage PPP and PFI projects within programmes

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### 2.1 Processes and governance

The Unit adopts programme management processes and governance arrangements to ensure successful delivery of its investment pipeline.

- ★ The Unit has oversight of its portfolio of existing and potential projects, but does not necessarily manage them as a programme. The Unit has governance arrangements over the approval and funding of new projects.
- ★★ Similar projects within its wider portfolio are grouped according to their commonalities, and some programme management principles are applied to these.
- ★★★ The Unit applies robust programme management disciplines to all its work. It views its projects as a flow of related deliveries, building towards a united purpose. It uses programme management disciplines both to add value to projects and to aid it in ensuring that the policy objectives are achieved.

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### 2.2 Objectives

The Unit ensures that individual projects' objectives contribute to wider programme goals.

- ★ The Unit ensures that each project's business case demonstrates the project's contribution to wider programme goals.
- ★★ The Unit regularly reviews projects in procurement and the procurement pipeline at a senior level to ensure project design and allocated funding continue to support the Department's policy goals.
- ★★★ The Unit, working with policy teams, designs its programme(s) to ensure the best mix of projects possible to achieve the overall policy goals. It regularly reviews this project mix as part of monitoring progress towards achieving its overall goals.

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### 2.3 Inter-relationships and flow

The Unit manages the inter-relationships and flow of its projects, and their impact on Departmental capital funding allocations (including PFI credits).

- ★ The Unit controls the funding of projects against its overall capital allocations, e.g. by using bidding rounds, and can accurately forecast its spend against budget.
- ★★ The Unit has an accurate understanding of the overall need for funding across the country, the flow and timing of that need, and thus the likely shape and duration of its programmes.
- ★★★ The Unit manages the flow of projects and prioritises between projects to ensure the best use of funding over the lifetime of its programmes.

## Case studies: Manage PPP and PFI projects within programmes

### Department for Children, Schools and Families (DCSF)

The DCSF set up Partnerships for Schools (PfS), an incorporated non-departmental public body, in 2004 to manage its major school building programme, Building Schools for the Future. It aimed to take a much more strategic and programmatic approach to school building, with the aim of renewing every secondary school in the country. Since April 2009, PfS has been responsible for managing the Department's entire school capital budget, including legacy PFI projects and its primary school programme.

All school spending is devolved either through Local Authorities or directly to Academies and Voluntary Aided schools. PfS provides national leadership to its schools programmes, and is able to carry out programme management activities which Local Authorities and schools could not carry out by themselves. This has helped to improve the delivery of school projects, including their speed and cost certainty. DCSF and PfS have also used this approach to challenge Local Authorities to be both strategic and radical in the ways they use capital investment to stimulate educational improvement.

Another advantage of this approach is the way PfS has exercised effective control over the scope, flow and cost of the programme in a way that could not be done by individual Local Authorities. This includes profiling projects and potential spending up to 2023 (when they hope to have finished every secondary school), and managing the introduction of new Local Authorities and projects into its programme.

### Ministry of Defence (MoD)

The MoD has a strict culture of programme management disciplines across its procuring agencies. The MoD's Private Finance Unit oversees a diverse range of PFI projects managed by different teams. The projects include equipment, training and simulation, accommodation, and housing, water and sewage. The Unit's role is to provide corporate assurance on projects and support the teams managing these projects, whilst each project sits within its own home programme governance arrangements.

Yet the Private Finance Unit also takes a programme approach to its role, attempting to benefit from the synergies in the procurement and contract management processes and to develop the learning and links between projects. The Private Finance Unit monitors all of MoD's PFI deals against 12 key criteria (or critical success factors). The Unit sits on the individual project boards, providing value-added advice and assurance at key points. The Unit also has corporate responsibility for reporting information on its PFI programme to HM Treasury and others.

# Function 3

## Control the quality of PFI and PPP projects in procurement

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### 3.1 One-stop shop

The Unit acts as a one-stop shop for PPP and PFI project teams for the provision of guidance and best practice advice. It provides or facilitates the provision of commercial, technical and legal advice.

- ★ The Unit provides sector-specific guidance written by experienced PFI practitioners on issues such as assessing value for money or planning.
- ★★ The Unit produces standardised contracts and documentation. It advises project teams on the nature of specialist advice they will need to develop their project. It also helps them locate and appoint suitably experienced and qualified advisors.
- ★★★ The Unit extends its transaction, commercial, technical and legal support to high-risk projects. It uses this contact with projects to help it improve guidance and documentation.

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### 3.2 Scrutiny, approval and assurance

The Unit maintains robust and timely scrutiny, approval and assurance processes (over affordability, VFM and deliverability) for PPP and PFI projects during the procurement phase.

- ★ The Unit's assurance process begins at OBC and continues until financial close, independent of other Government scrutiny mechanisms. Only projects that meet its affordability, VFM and deliverability requirements and contribute to the policy goals are allowed to proceed past approval points.
- ★★ The Unit maintains clear approval points for all projects, that incorporate and act on the findings from the Office of Government Commerce (OGC) Gateway Reviews for high risk projects.
- ★★★ The Unit maintains clear approval points for all projects, from project inception to financial close, which benefit from independent scrutiny. These complement and are integrated into wider Government assurance mechanisms.



## Case studies: Control the quality of PFI and PPP projects in procurement

### Department for Environment, Food and Rural Affairs (Defra)

Defra's Waste Infrastructure Delivery Programme (WIDP) uses its team of transactors to support projects managed and led by Local Authorities. These transactors form a key part of the programme's efforts to accelerate delivery of waste PFI targets towards the achievement of the UK's European Union obligations to reduce the amount of biodegradable municipal waste sent to landfills.

Transactors provide a link between the central programme and local delivery, and a source of expert advice and guidance for Local Authorities to call upon. They are drawn from a central pool of experts with commercial and technical expertise. Most are seconded from either Partnerships UK or Local Partnerships. They provide a single point of contact for a Local Authority and the programme, each covering up to three projects. They are in turn supported by the programme's network of dedicated advisors covering technical, legal, commercial and financial aspects of the programme. They work with Local Authorities from project initiation through to financial close. The relationship between transactors and Local Authorities is set out in a formal Memorandum of Understanding agreed before the project is initiated.

The transactors provide a service to local projects in the form of advice, guidance and integration into the benefits of belonging to a wider programme. But they also provide central programme oversight by collecting management information and reporting on local risks, issues and opportunities to build a coherent and live overview of the programme. This intimate project knowledge is crucial in enabling WIDP to provide effective scrutiny of its investment pipeline and prepare projects for the market.

The transactor network carries a further benefit since they can build on the synergies between projects by working with one another to share knowledge and lessons across projects.

### HM Treasury

HM Treasury manages and Chairs the Project Review Group (PRG). The group consists of a panel of experts appointed in their individual capacity and selected on the basis of their knowledge and experience of PFI.

The PRG acts as the approval point for the allocation of PFI credits to Local Authorities' PFI projects. Projects are assessed on the basis of value for money, affordability and deliverability. The PRG makes its decision on whether PFI credits should be allocated based on an extensive review of the project's Outline Business Case and interviews with the project delivery team. Between four and six panel members attend each meeting, the selection being based on the relevant knowledge of each of the panel members to the projects being seen.

Recently, HM Treasury expanded the PRG process to include central Departments' PFI projects. It is expected that the PRG will be able to provide better scrutiny and support to these projects than previous HM Treasury approval points, due to the members' expert knowledge of PFI.

The PRG process takes place immediately before the issuing of a project's Official Journal of the European Union notice and ensures that the project is ready to go to market. It complements existing Departmental and OGC scrutiny and assurance processes.

## Function 4

### Support operational PPP and PFI projects to ensure they achieve their benefits

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#### 4.1 Support and advice

The Unit ensures projects are able to access support and advice over the lifetime of the project, including at key milestones such as value testing and refinancing.

- ★ The Unit directs project teams to sources of support and advice (such as the Operational Task Force).
- ★★ The Unit provides tailored support to projects at key milestones, such as value testing and re-financing, and provides advice to projects on other issues at request.
- ★★★ The Unit has identified future operational support required across its projects, and how that support will be provided. It uses both its own resources and encourages cross-project networking to improve the support to projects.

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#### 4.2 Project benefits

The Unit ensures that the realisation of project benefits is monitored across the lifetime of the programme.

- ★ The Unit's assurance processes ensure projects use a Benefits Review Plan that identifies the intended benefits, how they will be measured, and how, when and by whom they will be collected.
- ★★ The Unit ensures some independent assessment of performance against intended benefits, such as OGC's Gateways Reviews Four and Five. Emerging themes are identified and used to inform the support and procurement of other projects.
- ★★★ The Unit sets out the intended benefits of its programmes in a Benefits Realisation Plan and uses project evaluation to monitor their successful delivery. It continues to engage with projects during the operational phase to ensure that performance issues that threaten the intended benefits of the project and programme are identified and addressed.

## Case studies: Support operational PPP and PFI projects to ensure they achieve their benefits

### Department for Transport (DfT)

The DfT ensures that projects in operation continue to benefit from central scrutiny and assurance of projects. Its major projects guidance requires Local Authorities to undertake Gateway Reviews on all projects with a whole life value in excess of £50 million. To support this, the DfT provides £300,000 in funding to Local Partnerships to undertake Gateway Reviews, and for one-off PPP projects, DfT currently funds a full set of Gateway Reviews one to five. For PFI programmes such as street lighting projects, the practice is that local authorities fund Gateway Reviews one to three, and DfT funds Gateway Reviews four and five. The Gateway Reviews ensure that the Authorities are properly managing their contracts, and protecting value for money.

DfT's Corporate Finance Team has also undertaken its own operational reviews of many projects. These reviews identify ways for the team to improve on future procurements and, as with the Gateway Reviews, can also identify performance risks and issues to be addressed.

The Corporate Finance Team also provides post signature support at key points. It advises the procuring authorities on major contract variations such as refinancing or changes of ownership. As a sponsor of projects, it ensures there are business case processes in place to monitor benefits realisation. It does not itself provide support on demand for operational management issues. Transport projects can call upon Local Partnership's operational group for support with operational issues.

### Department of Health (DoH)

PFI hospital contracts are awarded and managed by local NHS Trusts. The DoH supports these Trusts in the operational stage by disseminating guidance and best practice, providing generic advice from its expert team, and facilitating networking between Trusts.

The Department organises a national quarterly forum of contract managers to discuss hot topics and the challenges of managing the PFI contracts. Recent topics have included Value Testing, contract variations and IFRS accounting, and budgeting treatment. These forums are regularly attended by around 70 per cent of all Trusts, and form a key part of contract managers' continuing professional development. They also facilitate networking between Trusts with the same contractors, to discuss mutual negotiation issues.

### Department for Children, Schools and Families (DCSF)

The DCSF's Building Schools for the Future Programme aims to renew every secondary school in the country and to use that capital investment as a catalyst to help improve educational outcomes. The objectives of each project, including the educational impact, are set by the individual Local Authorities and Schools.

The Department and Partnerships for Schools (PfS), the delivery body, embeds benefit realisation into the programme. It requires each schools and Local Authority to identify the benefits they want from the programme in a strategic business case before they initiate any project. These benefits define the contract specification and a change management programme for each school. Secondary objectives are shared with private sector partners as partnering objectives. These are used in determining whether to continue with the partnership. Success is evaluated in post occupancy reviews one and five years after each renewed school opens.

PfS captures these local benefits in an overall programme benefit realisation system. This will be used to measure the success of the programme. It is in turn linked into PfS's balanced score card used to monitor its own performance.

# Function 5

## Manage the market of operators and investors

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### 5.1 Relations

The Unit manages operator and investor relations at a sector-level, as part of a wider Departmental commercial engagement strategy.

- ★ The Unit speaks regularly with active and potential operators and investors to understand their position in the market and keep them informed of the investment pipeline. It facilitates the networking of projects with the same operators and investors, so they work together on mutual issues or negotiations.
- ★★ The Unit makes clear what it expects of potential operators and lenders in the sector. It educates them on sector specific issues, and encourages their innovation in the market, both in the delivery of services and routes of investment. The Unit also uses feedback from operators and lenders to improve its procurement processes and attract increased level of bids.
- ★★★ The Unit manages relationships with operators and investors at a sector level, and is able to use the Department's influence and commercial weight as a lever in negotiations.

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### 5.2 Competition

The Unit takes responsibility for ensuring there are sufficient levels of competition, for both operators and investors.

- ★ The Unit assesses competition levels within the sector and at a project level. It ensures projects with low levels of competition gain additional assurance on VFM.
- ★★ The Unit promotes competition across its programmes by raising awareness of the procurement pipeline and encouraging new entrants into the sector.
- ★★★ The Unit works with operators and lenders to ensure that programme, project and contract design is attractive to the market. It also addresses issues or barriers to entry that are limiting investment or operator activity in the sector.

## Case studies: Managing the market of operators and investors

### Department for Transport (DfT)

The DfT approach to managing its relationships with industry includes developing transport policy, regulation, increasing industrial capacity, and industry sponsorship, as well as acting as a major client on programmes and projects. Its Corporate Finance Team manages the Department's relationships with banks, investment funds, multilateral banks, and PFI providers. It also supports other colleagues with supplier engagement with other major service providers and advisors.

The Department works hard to attract bidders to its contracts and ensure effective competition. Its last 11 PFI street lighting projects have attracted on average seven pre-qualification questionnaire responses and four who submitted outline solution bids, whilst its much larger M25 contract attracted three bidders through to the preferred bidder stage. Its Corporate Finance Team has regular engagement with major investors and contractors to keep them informed of its pipeline of work, to discuss generic issues and concerns and to understand the market's capacity for projects and financing. It also uses these opportunities to discuss learning from its projects, and to encourage innovation across its bidding competitions.

The Corporate Finance Team uses feedback from the market to guide its programme, shape its contracting and commercial stance and set the timing of its projects. For example, one of its rolling stock projects initially only attracted three bidders. The Team approached other contractors to find out why they were not bidding, and consequently changed its contracts to attract greater competition.

### National Offender Management Service (NOMS)

There have traditionally not been many contractors operating in the prison market. This was exacerbated by a number of mergers of key contractors, leaving just three major players. So NOMS approached other potential bidders to identify what was preventing greater competition. It identified five barriers to entry: the high value of contracts; concerns from companies about the risks from involvement in the custodial system; concerns about reputational risks and the high profile nature of the contracts; high bidding costs; and the need to provide a complete offering over Design, Build and Operate.

NOMS developed a strategy of market engagement with the aims of restoring credibility and expanded the prison market; giving incentives to new operators to enter and remain in the market; and being proactive in informing the market on the current procurement pipeline. It is in the process of developing a framework of suppliers. To date, up to seven potential providers have been identified. Once established, mini-competitions will be held for each prison.

# Function 6

## Embed continuous improvement in PPP and PFI projects and programmes

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### 6.1 Staff

The Unit maintains a learning environment for staff, supporting continuous professional development and facilitating knowledge transfer within the Unit.

- ★ The Unit maintains a recruitment, training and mentoring strategy for staff to develop a skills base capable of meeting current and future PPP and PFI business requirements.
- ★★ The Unit regularly facilitates knowledge sharing between its staff and project teams.
- ★★★ The Unit ensures transfer of knowledge from consultants and secondees to permanent staff.

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### 6.2 The Unit's Performance

The Unit strives to continuously improve its own performance, processes and delivery of projects.

- ★ The Unit improves its own processes and delivery by responding to feedback and implementing learning from each project.
- ★★ The Unit systematically reviews how it performs, its processes and its delivery of projects, seeking feedback from key stakeholders, in an effort to continuously improve. It embeds the learning from these reviews into its processes and behaviours.
- ★★★ The Unit has selected its key performance criteria and monitors its performance against them (e.g. procurement times, benefits realised, costs). It demonstrates continuous improvement across these criteria, utilising learning from each project, and driving efficiency savings and effectiveness improvements across its work.

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### 6.3 Learning across projects

The Unit facilitates learning between projects and the spread of best practice.

- ★ The Unit facilitates networking between projects, although it does not necessarily act as an active participant in spreading best practice.
- ★★ The Unit uses networking between projects to distribute best practice, and stimulate learning between projects.
- ★★★ The Unit demonstrates sustained and continuous improvement across projects. It facilitates the systematic evaluation of projects to identify drivers of success and failure, and distributes that learning between projects.

## Case studies: Embed continuous improvement in PPP and PFI projects and programmes

### Partnerships for Schools (PfS)

PfS has sought to demonstrate continuous improvement across its programmes, with a particular focus on the areas of speed and cost of procurement, design quality and capital costs. It does so through the systematic use of robust management and benchmarking information from its projects, and the systematic review of its processes.

The information used for continuous improvement is built into the governance arrangements of the programme and PfS, including regular reports to its Board and Ministers. It has undertaken a number of reviews and consultations on its processes, focused on: speeding its decision making; making its processes more efficient; promoting competition by reducing bid costs; and responding to feedback from Local Authorities, Schools, their advisors and market participants.

Continuous improvement is built into the Local Education Partnership (LEP) contract structure and indeed the LEP risks loss of deal flow in the event that continuous improvement savings are not demonstrated.

PfS also captures lessons from each of its projects through post project 'wash-up' meetings of its multidisciplinary teams and the local authorities and schools, and post occupancy reviews. It shares this information through central and regional meetings with local authorities, the private sector and operational project teams. PfS also hosts 'Open Days' at new schools where each delivery partner (local authority, private sector partner and school) share their experience of the relevant capital programme. Key lessons and case studies are also shared through national conferences, quarterly publications and through the corporate website.

### Ministry of Defence (MoD)

The MoD's Private Finance Unit takes the training and continuing professional development of staff seriously. It believes that a well-resourced and stable project team is one of the key drivers to achieving a successful outcome. But when it reviewed the corporate risks to PFI projects it found a shortage of people with expertise and knowledge of PFI, despite the size and general capacity of the Department's procurement function. This remains one of its key strategic risks, assessed as a high probability and high impact.

As a result, the Unit sponsors training and continuous professional development across the Department on PFI issues. It uses coaching and mentoring to promote best practice and enhance skills amongst key staff. It asks its Project Support Officers and project teams to look ahead and identify future needs for training. And it makes its training widely available, through an e-learning course, a programme of skills transfer workshops, ad hoc training, and a course on managing operational PFI and PPP contracts.

# Enablers

## Enablers of effective working

In order to deliver the six functions, Departments should ensure that their Units with responsibility for managing complex capital investment programmes utilising private finance projects have:

### **1 A clear mandate of roles and responsibilities**

- The Unit's responsibilities are clearly established.
- The Unit's delegated limits and authorisation to make decisions are clear.
- The whole Department has a clear understanding of the role of the Unit and how it can help to consider delivery options or support delivery.

### **2 The necessary staff capacity and capability**

- The Unit is appropriately staffed with experienced complex procurement practitioners with a strong mix of PFI/PPP, commercial, financial, technical and sector specific experience.
- The Unit is flexible enough to respond to a changing procurement pipeline and demand, and it forecasts its future skills needs.
- The Unit is able to attract and retain appropriate expertise.

### **3 Strong relationships within the Department and across Government**

- The Unit should be part of, or have strong links to, the Department's wider commercial function, and be able to influence wider Government procurement policy.
- The Unit maintains strong links with HM Treasury, Partnerships UK and Local Partnerships in order to ensure sector specific and general PPP issues affecting delivery can be addressed.



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