

Welsh Assembly Finance Committee Inquiry Into Public-Private Partnerships

CBI Response

1. CBI Wales welcomes the opportunity to respond to the inquiry into public-private partnerships (PPPs) and supports the objective of assessing the use of private finance for public sector projects. As user, funder and provider of public services, business has a genuine stake in public service reform. Welsh firms contribute considerable amounts in corporation tax alone and are concerned about whether the Welsh Assembly Government and local authorities are delivering efficient and effective public services in return.

2. Public spending has increased significantly in Wales since 1999 - the Assembly budget has doubled since 1999 rising to over £14bn by 2007-8. The UK Government's October 2007 Comprehensive Spending Review announced further increases in public spend for Wales but at a slower rate of growth - an average increase of 1.8% in real terms for the next three years. The challenge of public service reform in Wales therefore lies in delivering higher quality, more efficient and more user-focused public services from existing investment.

3. The CBI welcomed Sir Jeremy Beecham's landmark review into public services in Wales, Beyond Boundaries: Citizen-Centred Local Services for Wales. The report's emphasis on the need for a 'mixed economy' of service provisions was welcome and we were pleased to see this message reiterated in the Welsh Assembly Government's response Delivering Beyond Boundaries" "in November 2006. A year has passed since the report and the CBI is not aware of much progress in this area. If Wales is to benefit from efficient and effective citizen-focused services action needs to be taken soon to actively consider the role PPPs can play in enhancing Wales' public services.

4. CBI Wales is committed to strong public services that promote social justice while remaining economically efficient and affordable. Based on the private sector's experience in responding to customers' needs, we believe that the future of public service provision in Wales lies in a mixed economy, with public, private and voluntary providers all making a contribution and working in partnership. The following response suggests PPPs have been successful in improving efficiency and service quality. However, the challenge is to create the right environment for PPPs to flourish - PPPs need strong political will, the right commissioning skills and a fair market for suppliers to operate. The case for PPPs should be articulated in terms of benefits to the public, for example, improved learning environments for children and social regeneration. Further consideration about how the public and private sectors can collaborate more closely to deliver types of PPP projects is also needed.

5. The key points of our response are:

A range of partnership models exist which are flexible to meet the challenge of changing citizen needs

PPPs have been successful in the delivery of high quality public services

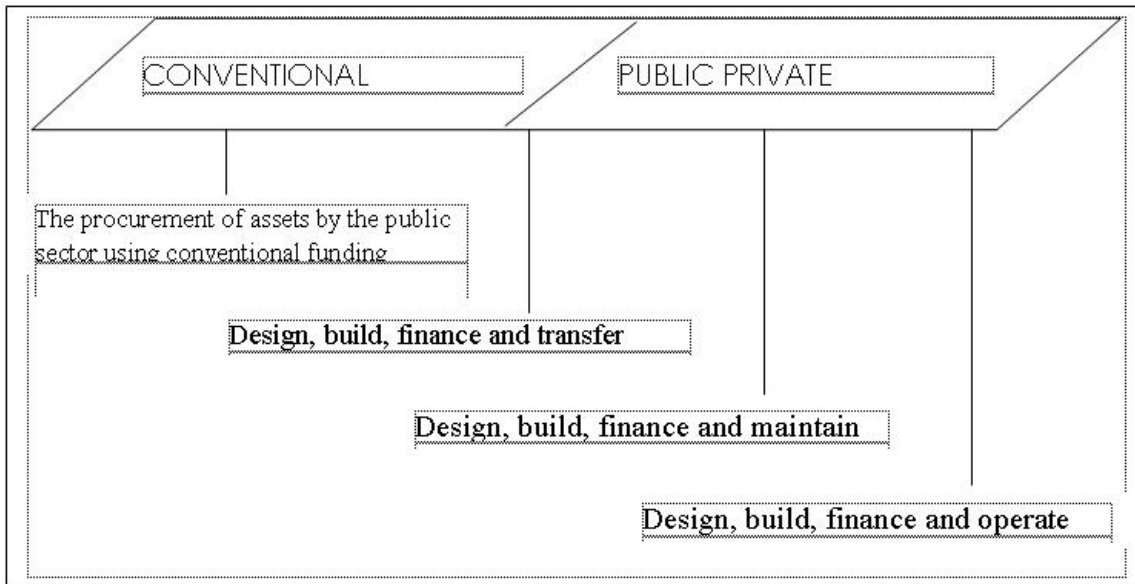
PPPs need the right environment to succeed.

A range of partnership models exist which are flexible to meet the challenge of changing citizen needs

6. A public private partnership (PPP) is a type of long-term collaboration between a public authority and the private sector (and increasingly in Wales, the third sector). It creates a new approach to managing risk in the delivery of assets and services by combining the complementary skills and expertise of each partner in the interests of improving services to the public and delivering value for money for the taxpayer. They are not new, but recent years have seen dramatic increases in the number and types of partnerships used by governments, not just in the UK, but across the world. The case studies throughout this response show how Welsh local authorities and central government are pioneering different types of partnership models across a range of public services.

7. The experience of PPPs demonstrates a clear trend. It is one of steady improvement, learning from experience to develop new and innovative ways of involving the private sector in public services. A range of PPP models are well established in the delivery of infrastructure projects, see Figure 1. However, PPPs are now becoming increasingly common for delivering complex public services, such as offender management and public health schemes.

Figure 1. The range of partnership models



8. In the UK,

the Private Finance Initiative (PFI) is the most established and widespread PPP model, with more than 500 projects now operational. It is different to other types of PPP as it involves a private sector partner providing an asset - for example, a school or leisure centre - and the services associated with that asset - such as building maintenance or cleaning. The model is used for a large number of infrastructure projects, and provides strong incentives to deliver on time and on budget, while enabling governments to spread the cost of the investment over a 25 to 30-year period.

9. However, given the maturity of the PPP market, new PFI-type models are emerging in response to changing user needs. For example, strategic partnership models have recently been developed which provide umbrella organisations to procure smaller PFI or PFI-type projects alongside other projects requiring a different method of procurement - such as investment in information technology systems (an area considered unsuited by HM Treasury to PFI procurement).

10. The two main examples of this model are Local Improvement Finance Trusts (LIFTs) in the health sector and the Building Schools for the Future (BSF) programme rolled out across England. Both programmes provide a long-term strategic framework for planning and delivering investment. The individual projects undertaken under LIFT and BSF are structured in similar ways to PFI projects, and some of the companies entering into LIFT agreements are also involved in the PFI. The key differences between these two models and a typical PFI model is that they are joint ventures, taking strategic planning and procurement decisions that were previously the sole responsibility of the public sector. This allows private sector partners to contribute project planning and design expertise at an earlier stage. The LIFT and BSF programmes are also supported by a national programme management organisation, and by central co-ordinating bodies, Partnerships for Health and Partnerships for Schools, which assist with procurement and knowledge transfer across projects.

11. Another type of model is the Non-Profit Distributing Trust (NPDT) or Organisation (NPDO). NPDOs are a special purpose vehicle established to deliver a specific public service. They are independent and are responsible for mobilising the finance required for the public investment programme. They do not need to generate a return for shareholders but they do need to generate a surplus to pay off any loans incurred to help fund the capital programme. In other words, 'non-profit' does not mean non-surplus and the model is already in use in Wales - the best known NPDT is Glas Cymru.

12. In NPDOs, a share of the profit goes to a dedicated charity that will reinvest the money into the public service being provided. The Scottish Financial Partnerships Unit (a government organisation) notes that surpluses in NPDOs are applied according to agreed priorities in the order of management incentives; build-up reserves; additional scope of services pre-defined under the contract and finally donations to the charity.

13. New, innovative models of PPP will continue to emerge in the future as the needs of public service users change over time. Most recently, the Welfare-to-Work initiative by the UK government is set to create a new market for providers of employment support services. As the two case studies below demonstrate, some of the independent sector providers operating in this market have been instrumental in getting disadvantaged people into work, especially the long-term unemployed and other marginal groups in society.

Delivering sustainable employment: Blaenau Gwent County Borough Council and partners

Delivering employment support services and continuing support in work for 12 months

Supporting work related skills development to increase earning potential

1,289 individuals placed into employment between 2003 and 2007.

JobMatch is an initiative delivered in partnership between Blaenau Gwent County Borough Council, Job Centre Plus, Careers Wales Gwent, the Welsh Assembly Government and Working Links. The aim of the initiative is to increase community wealth and well being through work.

The support package includes delivering advice and guidance, performing diagnostic interviews, providing CV writing and job search, paying for training, continuing support in work for 12 months and providing retention payments to the low paid. JobMatch is not content with just getting people back to work, it also supports work related skills development to increase an individual's earning potential.

During the first phase of the project from January 2003 to March 2007, the programme engaged with 2,529 clients and placed 1,289 of them into employment. Success is achieved by maximising potential funding through partnership, flexibility in delivery to reflect community and business need, developing individual's skills during employment, providing mentoring support to staff and delivering workforce development advice.

JobMatch has also been successful in working in partnership with various disability agencies to move beneficiaries away from claiming incapacity benefit and into worthwhile sustainable employment.

Contracting for outcomes: Rhondda Cynon Taff and Foster Care Associates

Close supplier engagement to meet the needs of disadvantaged young people

Collaborative working leads to £1.2m savings.

New solutions and new models of service delivery are key to achieving better public service outcomes. This requires commissioners to engage with providers so that they can make an informed choice based on what is best for children and young people.

In Rhondda Cynon Taff, the local authority has worked with Foster Care Associates (FCA), to replace the council's children's home provision with intensively supported foster care. This has led to a more appropriate environment for young people formerly in residential care homes, while also saving the local authority £1.2m over a three-year period. FCA provides joined-up support appropriate for the multiple needs of children and young people - such as education, social exclusion and health issues – allowing them to access local services.

PPPs have been successful in the delivery of high quality public services

14. PPPs are improving services and delivering not only efficiency savings but also generating better outcomes for citizens. In particular, there is evidence to suggest PPPs are:

Improving user satisfaction through a greater focus on the citizen

Encouraging long-term collaboration through genuine partnering

Providing value for money for taxpayers through whole-life costing and operative efficiency

Improving incentives and performance through optimal risk allocation

Increasing government transparency and financial accountability.

Improving user satisfaction through a greater focus on the citizen

15. Because PPPs impact many people's lives, success of the programme depends largely on user satisfaction - that is, the opinion of those who receive the service. Independent studies of user satisfaction with PPP projects demonstrate a consistently high proportion of positive user views of both service facilities and the way services are delivered. For instance, a Partnerships UK survey in 2006 collected responses from 105 operational projects across the majority of PFI sectors and found user responses were generally positive, with around 80% showing satisfaction with PFI projects 'always' or 'almost always'.

16. The evidence on PPP contracts also points to improvements in service standards through good working practices and effective use of performance measurement. In 2005, the CBI commissioned a team of independent researchers to interview the clients, managers and staff of 12 organisations delivering public services under a PPP contract. The study found that managing people through better employment practice led to improved service delivery. The organisations studied involved employees during the procurement process, improved training and development opportunities and introduced more meaningful performance management.

Encouraging long-term collaboration through genuine partnering

17. For a PPP to be successful and to deliver better public services, the partners need to share objectives. PPPs encourage public and private partners to concentrate on wider aims rather than merely fulfilling a contract, as shown in the following two case studies.

18. According to Partnerships UK (2006), 97% of public sector contract managers surveyed rated their relationship with the private service provider as either 'very good', 'good' or 'satisfactory' and none rated their relationship as 'very poor'. PPPs have encouraged the development of a new form of management behaviours with partners trying to solve problems rather than reach for a contractual resolution. Most authorities and contractors have made efforts to understand each other's organisations and establish a shared vision for the future.

Drug interventions programme with G4S

Personalised service delivery improving service outcomes

Additional practical help offered to rehabilitate service users into the community.

The G4S Transitional Support Scheme (TSS) provides across-the-prison-gate mentoring support for offenders with substance misuse problems for up to 12 weeks after release throughout south Wales. The programme is for voluntary participants with drugs and alcohol problems who are serving a sentence of fewer than 12 months and returning to Wales.

TSS offers hands-on support to offenders as soon as they come out of prison, with the aim of helping them re-engage in the community quickly and effectively. This is achieved with the support of an individual mentor whose core function is to motivate and encourage participants to change while linking them to support agencies in the community – particularly drugs, housing and employment/benefits agencies. Case management records are maintained to monitor the progress of each participant from first contact to the end of the programme and beyond - including reports for each contact made with the participant on any level.

The G4S TSS has established a very good relationship with staff working in other prisons and the co-location of the G4S TSS alongside in-house prison services in HMP Parc has allowed access to schemes and initiatives running there. G4S has developed its own comprehensive training package that matches the objectives of the scheme. A recent 12-month evaluation of the TSS, commissioned by the Welsh Assembly Government, recommended this training be replicated across all TSS sites in Wales (Welsh Assembly Government, Moving forward with mentoring: an evaluation of the Transitional Support Scheme in Wales, February 2006).

The recent evaluation of the TSS found that G4S was the only provider of the TSS which had achieved statistically significant results in changing the attitudes of participants. It suggested that: "This may well be explained by the increased focus amongst G4S staff on the use of motivational enhancement techniques and the need to address offenders' motivation to change." It also added, "...the greater focus in the G4S training for TSS staff to concentrate upon clients' motivation increased the post release contact rate." (ibid).

South Wales Vehicle Leasing Scheme in collaboration with Working Links

Developing a car leasing scheme to help overcome transport-related employability problems

350 people helped into work, 95% of whom were still employed after 15 weeks

First initiative of its kind in the UK.

The South Wales Valleys has poor public transport infrastructure and relatively low levels of car ownership. Car ownership is even lower in the most deprived housing estates, with 60% of households not having access to a car. The lack of transport, both public and private, compounds the problem of people being disconnected from the labour market.

As a result, many people are deprived of the opportunity to work. Through the delivery of Employment Zone, a Government funded initiative targeting employment inactivity, Working Links developed a car-leasing scheme to help overcome the problems caused by the lack of transport. Launched in January 2001 by Jane Davidson, Minister for Lifelong Learning National Assembly for Wales, the initiative is the first of its kind in the UK. The fleet of twenty one cars has helped about 350 people into work, 95% of whom were still employed after 15 weeks. Cars are leased to jobseekers for up to 15 weeks to help them retain work.

Providing value for money for taxpayers through whole-life costing and operative efficiency

19. Under most PFIs, a single consortium or organisation is involved in both the design and construction of the asset and the running of associated soft services, a term used to describe services such as cleaning or catering. This integrated 'whole-life approach' has significant advantages in terms of planning and value for money. Due to a consortium's ongoing involvement, decisions about design and construction are based on long-term service delivery considerations over the length of the contract. There is no such incentive if the associated soft services remain separate. Under traditional procurement, the specifications of design are often affected by short-term political and funding demands to the detriment of long-term operational efficiency.

20. In response to a HM Treasury consultation on soft services and value for money guidance, the CBI provided evidence on the best practice built up by private providers to suggest that the history of soft service inclusion so far indicates the following lessons:

Integration offers the best hope for delivering a step change in soft services performance

Integration of soft services can be used to increase contract flexibility

PFI providers are formally considering soft services at design stage and applying lessons from the operation of previous projects

Outcome based contracts allow PFI providers to deliver more effective management of soft services.

21. The nature of the procurement process and the way the contract is drafted means the design stage must take into account that user needs will change over the length of the contract. Although this is true of any asset procurement, the fact that maintenance and operational delivery (where soft services are included) are considered alongside the asset design and construction in a PFI means it is more likely to successfully capture long-term needs.

22. According to the Treasury, PFI should only be used when it represents value for money; indeed, all PFI proposals are subject to rigorous assessments. Value for money does not mean the lowest cost option, and is defined as "...the optimum combination of whole-of-life costs and quality (or fitness for purpose) of the good or service to meet the user's requirement." (HM Treasury 2006).

23. Before the earlier PFI schemes were agreed on, contracting authorities assessed value for money by comparing the proposal with a similar - but hypothetical - publicly procured proposal. This model is called the Public Sector Comparator (PSC). There is ample evidence to show that in the vast majority of cases, value for money was achieved when PFI schemes were compared with the PSC. This applies especially to the health and education sectors. Between 1999 and 2002, average savings in the health sector were around £2.5m per project, but in one PFI hospital (South Tees) savings were as high as £39.5m. In education, school PFI projects between 1999 and 2003 achieved an average efficiency saving of 4.1% compared to the PSC but in a number of projects savings were 5-10%. A Treasury taskforce report found that among a sample of 29 projects (from all sectors) for which a PSC was available, the average saving was closer to 17%.

24. Despite generally positive results for the PFI, the PSC does not reveal the whole story. It does not take into account factors that are more difficult to measure, such as managerial dynamism and potential for future innovation. Contracting authorities are now encouraged by the government to apply a broader assessment of value for money. The National Audit Office (2006) has set out a new framework to assess whether a PFI proposal represents value for money based on the belief that this depends as much - if not more - on getting the required operational performance as on getting the best deal, as shown by Neath Port Talbot Hospital.

Improving NHS patient experiences: Neath Port Talbot Hospital and Baglan Moor Healthcare

High patient satisfaction with facilities and services

Awarded Charter Mark status in 2003 and won Best Operating Hospital at the National Public Private Awards in 2005

Delivered on time (2.5 years construction time) and within budget (£66m).

In 2002, the Neath Port Talbot Hospital was built to provide a state of the art healthcare facility for an area with one of the highest levels of morbidity and deprivation in the UK. It represents one of the largest PFI projects in NHS Wales and replaced two general hospitals which - according to evidence submitted to the National Assembly's Finance Committee - were wholly inadequate to provide modern healthcare. It comprises 277 beds and provides a wide range of services including acute medical emergency admissions, elective surgery, a 24 hour local accident centre, outpatients, children's, rehabilitation and diagnostic services.

The hospital also provides the opportunity to transform local access to mental health services by offering an acute admissions unit, assessment facilities for geriatric psychiatry and day hospital provision in a stand-alone Mental Health Unit. The contract requires Baglan Moor Healthcare (BMH) to design, construct and maintain the hospital, and to operate the non-clinical support services for a period of 30 years. BMH bear construction, operation, maintenance and availability risks. Payments by Bro Morgannwg NHS Trust are made to BMH on the basis of availability, quality and performance. Payments are subject to deductions for failure to meet agreed standards of service. In October 2007 the Welsh Assembly Government found the contract had demonstrated considerable savings over the traditional public sector procurement.

Neath Port Talbot Hospital was delivered on time and within budget thanks largely to an appropriate risk transfer. The private consortium effectively issued guarantees on building time and cost to the NHS Trust, agreeing to meet any cost overruns and risking a loss in case of late delivery.

Neath Port Talbot Hospital won the Best Operational Health Scheme at Public Private Finance Awards in 2005. It was awarded Charter Mark status in 2003 in recognition of its excellent record of providing quality care. Five years since becoming operational, there has been positive feedback from both patients and staff in relation to facilities. Bed calculations remain sound some 7-8 years after the business case was approved. Provision of smaller bed bays, all with en-suite facilities, has resulted in low infection rates. The energy efficiency of the hospital is compatible to the best performing hospitals in the UK. Patient throughput numbers have increased and continue to grow.

Improving incentives and performance through optimal risk allocation

25. An underlying principle of PPPs is that risk is borne by the partner best placed to manage it. The transfer of some types of risk to the private sector, such as construction time and cost overruns, was one of the original drivers behind the introduction of the PFI. This has meant that as PPPs have evolved, the public and private sectors have both gained considerable experience in identifying risk factors, valuing them in a contract and managing them over the duration of the contract.

26. Optimal risk allocation creates incentives to ensure projects are delivered on time and on budget. The public sector has a history of cost overruns and delays, both in the procurement stage and in actual delivery. In PFI projects, once a contract has been signed, project delays and cost overruns are transferred to the consortium, which is only paid once the facility is up and running to the required standard. So with their own money at risk, consortia are incentivised to reduce these risks.

27. It is clear this incentive is working, as only 30% of non-PFI projects surveyed were delivered on time compared with 80% of PFI projects, and only 28% of non-PFI contracts remained on budget compared with 80% of PFI projects (HM Treasury 2003). In addition, all new PFI prisons have been delivered on time or earlier than scheduled compared with construction overruns under traditional procurement averaging 13%. No PFI prison has cost the government more than budgeted. Seven traditionally procured prisons finished in the early 1990s overran their budgets by 18%. For example, HMP Parc Bridgend, delivered on time and to budget saving the taxpayer 17% compared with a traditionally built but privately managed facility.

PFI prison HMP Parc, Bridgend

Delivered one month early and within budget, saving taxpayers £266m

Assault rates much below the national average

Contracting to provide work from local firms, which can lead to jobs after sentence.

HMP Parc is both the first PFI prison to become operational in the UK and the only privately operated prison in Wales. It was completed and able to take prisoners one month early, in November 1997. The total cost of HMP Parc was £266m – representing a 17% saving compared with a traditionally built but privately managed facility.

It is generally acknowledged that the private management of custodial services in the UK has been a success, both in terms of value-for-money savings and service innovation.

In January 2003, the NAO reported that '...the Prison Service has also benefited from the Private Finance Initiative (PFI). All seven PFI prisons were ready for use at or before the date required by the contract.' "Financial benefits to the taxpayer have not been delivered at the price of security or service quality. The IPPR concluded that 'The evidence suggests that the quality of privately managed prisons – as measured by the Prison Service's Key Performance Indicators (KPI) – is similar to that of publicly managed institutions.'

HMP Parc faced challenges in its early stages because it was quickly used to take the pressure of overcrowding off other institutions throughout the prison estate. This created significant challenges for a new and inexperienced team. A short inspection in 2000 found significant improvement and much to commend. A second unannounced inspection in 2002 found further improvement: HMP Parc was described as '...a safe and respectful prison'.

Home office research and data from the Prison Inspectorate's Annual Reports (1998-2002) shows assault rates at HMP Parc to be significantly below the national average, compared with both PFI and public prisons. To promote easier resettlement HMP Parc has negotiated a contract to provide work from local firms, which can lead to jobs after sentence. Under current arrangements no public prison could afford to enter such a contract.

Increasing government transparency and financial accountability

28. The introduction of private capital has increased the transparency of public finances, as the flow of money between the partners has to be recorded and accounted for. Conventional procurement does not need to take project risk into account as the risk of the loan is underwritten by the taxpayer, and this is reflected in the lower price of government borrowing. But PPPs are more likely to achieve value for money to the taxpayer over the long term because the cost of borrowing more accurately incorporates the value of the project risk and reflects the whole-life cost of the project.

29. The rigorous borrowing regime for private sector partners means that the costs and risks of a capital investment and service provision must be made explicit in the contract procurement phase. This has increased the transparency of funding public services when compared with conventional procurement methods.

PPPs need the right environment to succeed

30. The CBI believes there are three drivers for PPPs to succeed:

Sustained political will - to guarantee long-term improvements in public services the market needs confidence to invest

Appropriate commissioning skills - to ensure services commissioned for outcomes achieve the best results for citizens

A level playing field - to ensure the best provider is selected for the service.

Sustained political will - to guarantee long-term improvements in public services the market needs confidence to invest

31.

There must be political buy-in for PPPs to make progress, and political stability is key to their continued success. Welsh Assembly Government support will give both private sector bidders and contracting authorities greater confidence in seeking innovations and service delivery solutions in Wales.

32. There is a danger that if the Welsh Assembly Government and local authorities do not more actively champion the benefits of PPPs, it will increasingly be seen as a means for a private sector partner to provide assets rather than assets and accompanying services. This constrains innovation and flexibility in the development of future PPP projects and wider public service reform.

33. Long-term commitment for PPPs requires the Welsh Assembly Government to articulate a clear vision of the future of public services. The Welsh Assembly Government should consider setting out the benefits of PPPs in terms of what public service goals they have achieved, such as, the number of patients treated in a PPP hospital or the benefits of a redeveloped housing estate. Continuous development and improvement in the PPP market should also be acknowledged and encouraged.

Appropriate commissioning skills - to ensure services commissioned for outcomes achieve the best results for citizens

34. Commissioning and procurement skills should be improved to enable the success of new partnership models. As the PPP market

develops, and more complex partnerships and models evolve, there is an increasing need to improve general procurement capability. Improved procurement will also reduce bidding costs, which are still typically too high. In November 2006, the CBI published a report, Realising best practice in procurement and contract management, which sets out key steps the public and private sectors need to take to ensure commissioning and delivery of complex projects achieve a variety of service outcomes.

35. The recommendations draw on discussions with key figures in the public and private sectors and propose steps to ensure:

Competitive supply markets are managed by skilled professional staff: The first step to improving public services is to ensure contracting authorities have the capabilities to harness the benefits of the supply market. A comprehensive understanding of markets requires a constant process of market engagement, including ongoing dialogue with suppliers outside the tendering process. This is essential for building trust and certainty in public service markets and encouraging innovation in service design. More interaction between the public and private sectors will allow the sharing of expertise and lessons learnt

Transparency and rigour in the tendering process: Procurements need to be driven by outcomes not processes. Strategic commissioning must ensure rigorous needs assessment and clear project specifications. This is the only way to ensure those carrying through procurements have adequate understanding of how the specified service will realise the public authority's policy outcomes

Governance arrangements that are fit for purpose: Partnerships are evolving into complex models for flexible contracts which deliver complicated outcomes. Senior-level leadership is vital for partnerships to succeed, along with robust governance mechanisms and excellence in relationship management.

36. Both the public and private sectors are responsible for improving links and sharing best practice, through existing programmes and more informally. CBI Wales also recommends that the Welsh Assembly Government take the following steps:

Reopen the Welsh Assembly Government Private Finance Unit to support and provide guidance to Welsh Assembly Government departments

Public bodies improve the detail of project specifications

Quantitative and qualitative evaluation criteria should be published at the start of all procurements. Authorities must show evidence that they have used rigorous methods for evaluating bids and be prepared to publish the results to bidders and auditors

Above a certain threshold, all projects must go through gateway reviews. These reviews must trigger external interventions by central or regional procurement teams as appropriate and should be widely available

All projects should have a named sponsor at the highest level to provide strategic vision and a point of accountability

All projects should develop an end-to-end project plan at the outset, setting out the obligations and dependencies on both sides and stipulating how resourcing challenges will be met.

A level playing field - to ensure the best provider is selected for the service

37. Whatever the PPP model, procurements need to be driven by outcomes not processes. To deliver flexible services meeting end-user needs, procurement processes must be rigorous and consistent with a high degree of transparency and trust. In particular, public services markets must work effectively for all providers. It is essential that contracting is based on competitive neutrality and that the Welsh Assembly Government addresses anomalies that may exist in the current competitive neutrality policy framework.

38. For instance, tendering delays are putting off private sector companies from bidding for some PPP contracts. Resolving this is crucial, as healthy competition in the PPP market ensures the best contractor is selected and therefore value for money and quality service provision is achieved. For instance, competition at present in prison management is saving the taxpayer £40m - £60m a year, equivalent to the annual cost of operating two or three 800-place local prisons.

39. CBI Wales believes that the most important issue for public service users is not who runs the service, but whether it can be accessed locally and how best to secure high quality, efficient services which are accountable to them. This means that the best provider of services - on a best value basis - should be commissioned to deliver services to citizens, communities and businesses. To achieve this, the Welsh Assembly Government should ensure:

A level playing field operates between providers so that the best contractor is selected, on the basis of value for money and quality service delivery

Bidding processes are simplified and bidding periods reduced

Standardised contracts and payment mechanisms to improve procurement process are developed.

40. The PPP offers the Welsh Assembly Government and Welsh local authorities a mechanism for enhancing the process of change within our public services. There are clear areas of pressure within the public sector in Wales which could be assisted by a greater role for the PPP. These areas include: infrastructure, housing, school buildings, and waste management. The CBI and its members stand ready to assist the Welsh Assembly Government and local authorities to investigate the role PPPs could play in enhancing local public services.

**CBI Wales
December 2007**

