

TO: POLICY AND RESOURCES (FINANCE) SUB-COMMITTEE	Subject: DLO PUBLIC PRIVATE PARTNERSHIPS
From: COMMERCIAL PARTNERSHIP MANAGER	Treatment of Income Streams from the Partnership Companies
Date: 22 October 2002	Ref: RE/RE

1. Introduction

When the concept of the public private partnerships for DLO services was being developed in conjunction with the client departments and potential partners, one of the cornerstones of the relationship was joint working to improve the service delivery and reduce the overall cost of service delivery. The theory was based on the premise that with a contract based on cost saving rather than profit generation both sides would be incentivised to reduce direct costs thereby allowing the private sector to improve its financial returns to its shareholders and the public sector to reduce the cost of the service and in the process achieving best value for the authority.

It was envisaged that the savings generated through this initiative would be shared equally by both parties which in turn would incentivise those involved in delivering the services to look at generating further savings across the whole procurement chain rather than managing their discrete function.

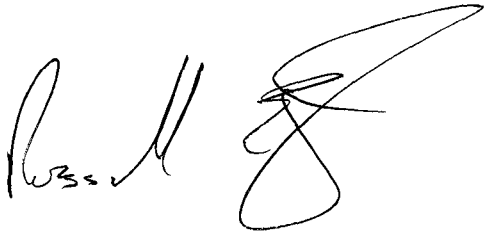
As the financial model developed it was recognised that the council's general fund would suffer from a shortfall in receipts through the loss of the DLO's contribution to central overheads and its overall profitability. After identifying this gap it was decided by the corporate management team that all profits generated by the partnerships be credited to the general fund.

2. Current Position

Having worked closely with both Housing and Property and Planning and Environment's client divisions over the past eighteen months it is evident that this policy is not allowing the council to get most out of the PPP arrangement and maximise the potential benefits of partnership working to both departments and the council generally. It should be noted at a strategic level there has been significant development work and innovation in service delivery, for example, the housing repairs pilot and GPS tracking systems for vehicles maintaining the roads network. As the incentivisation to generate cost savings does not have a direct impact on those delivering the service which would allow line managers to:

- Get more repairs for the same cost
- Improve the quality of service through investment in systems and processes

there is very little buy-in to adopting new working practices or taking ownership of the full procurement chain, particularly at operational level.

A handwritten signature in black ink, appearing to read 'Russell Ellerby', with a large, stylized flourish extending to the right.

Commercial Partnership Manager

For further information on this report please contact Russell Ellerby on 01698 302737