starting to modernise

managing strategic service delivery partnerships
from governance to delivery
NLGN has supported this project, as part of its programme of research and innovative development projects, which they hope will be of use to policy makers and practitioners. The facts presented and the views expressed are – however – those of the author and not necessarily those of NLGN.
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managing strategic service delivery partnerships
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Last year, I welcomed NLGN’s timely and challenging study into strategic service delivery partnerships. That study crystallised what they were and gave early practical examples.

Now, some 8 months on, this second report picks up where that study left off.

How strategic partnerships are managed on a day-to-day basis is crucial not only to the delivery of services local communities want to see, but also for the credibility of local government itself. It is the relationships between managers and elected members and between the local authority and its chosen strategic partner at every level that will make or break a strategic partnership. Making those relationships run smoothly is at the heart of the partnership and at the core of this report.

Strategic partnerships are an example of radical ‘bottom up’ thinking and demonstrate the power of local government to innovate and put itself on the road to becoming genuinely respected. In the context of best value, they represent the sound application of the principles of the 4Cs – Challenge, Compare, Consult and Compete. I expect to see more strategic partnerships in a greater variety of service areas over the next few years.

The government’s White Paper published in December 2001 sets out a pattern of local authority reform that will deliver service improvements and reduce unnecessary bureaucracy: a combination of additional freedoms for the higher performers and the tackling of failure for the poorer performers. Over time, these new tools will affect the very culture of authorities themselves.

As they mature further, I expect resultant cultural change to become evident both in the strategic partnership authorities and within their private sector partners. Also, as citizen and user confidence in the services delivered grows, I shall watch with keen interest how local elected members and their new structures of governance cope with the new challenges and issues of accountability that long-term strategic partnerships will undoubtedly generate.

Much has been debated about the involvement of the private sector in delivering public services and these partnerships demonstrate that with the combination of good procurement skills and the sharing of a common public service ethos many of the pitfalls can be avoided.

Choosing a partner that one can trust is fundamental to success, and that applies as much to the authority as to the private sector partner. For too long the legacy of failed adversarial contracting has held back participation, inspiration and transformational change, but the pioneering strategic partnerships demonstrate that local government is fast making up for lost time.

This research concentrates on the nuts and bolts of making innovation through partnerships work. I hope that leading members, managers and their private and not-for-profit sector counterparts will absorb its messages and indeed become pioneers themselves.

Rt Hon Nick Raynsford MP
Minister for Local Government and the Regions
March 2002
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The modernisation agenda and wider public service reforms are creating challenges for local government. Exploring opportunities for working with the private sector is increasingly coming to the fore for many authorities as they wrestle to address the change that will be required if they are to deliver world-class services to their citizens.

In this report, NLGN explores some major public/private partnerships to identify the role of local government as the intelligent client, working collaboratively to address the challenges and provide a flexible environment for the future.

**Procurement**

Pre-planning lies at the heart of the successful procurement process and it is in those early days that the approach to partnering and forging successful relationships are grounded. Consistent with the drive for transformation of public services, developing partnership skills and enabling realistic and open debate around successful procurement, partnership management is seen as key to authorities becoming sophisticated clients, working collaboratively with the private sector. There is no doubt that for partnership working to succeed, culture change looms large on the agenda and the right leadership within an authority can create the climate in which this will occur. The re-examination of service delivery and organisational structure can then take place for participation in a true alliance. NLGN has developed an innovative diagnostic tool contained in this report to assist authorities with their preparations.

Within the procurement negotiations, essential to form any partnership, there needs to be clear definition of roles and responsibilities for the management of the partnership and the delivery of services. These will need to reflect the responsibilities essential for ensuring the success of the relationship with the private partner, and a shared commitment for outcomes.

**Disputes**

The right mechanisms for discussion and dialogue to resolve disputes at the earliest possible opportunity are a major part of the partnership structures. NLGN has provided some examples of how disputes may be avoided or speedily resolved to provide continuing success in service delivery.

**Accountability**

Accountability cannot be transferred to the private sector. Nonetheless by appraising partnership potential as part of the procurement process, suitable private sector partners can be selected who can add value to an authority’s corporate objectives.

Private sector partners are accountable for business performance to their shareholders; as well as being simultaneously responsible for performance to the client authority. By developing effective strategic partnership boards, the major partnerships are reconciling their strategic objectives, various accountabilities and providing a clear point of responsibility. NLGN describes the different models of partnership structure from the case studies in the research.
**Governance**

The scrutiny function can provide the rigour of challenge to partnership service delivery, in addition to testing the effectiveness of the partnership as a whole and its impact on the community. Careful consideration of the roles of the executive and scrutiny will need to be given to ensure that effective engagement with stakeholders, along with the checks and balances that modern political structures provide, are in place.

The role of the executive and scrutiny can be strengthened by the right levels of overview into a well-structured public/private partnership to provide back-office processing. Many public/private partnerships now deliver back-office support services. There is little added value in the direct involvement of local politicians and senior management in the basic processing conducted in authorities; what is important is that the back-office processes are delivered in cost-effective ways, with resources reallocated to more strategic front-line services.

**The client role**

The effective client will be accountable for:

- Defining the standards of the services
- Setting outcome targets and defining the specific delivery approaches to be followed
- Stipulating continuous improvement targets
- Monitoring performance and holding the service provider to account
- Controlling payments
- Representing the public interest, e.g. the user, the council taxpayer or the wider community interest which at times may be in conflict

The client function needs also to be the subject of the scrutiny process, as how a client manages that role is as important to success as the provider’s capability.

New skills are required from members and officers in a modern local authority and NLGN describes the changing roles within this report. Opportunities for development and learning should be an integral part of the DTLR response to the Byatt review of local government procurement.

**Conclusion**

Public/private partnerships, established from a business options appraisal and managed within well-defined collaborative structures, continue to provide a real opportunity for step-change in local service delivery.
In July 2001, NLGN launched Strategic Partnerships for Local Service Delivery: a practical guide. Written by Geoffrey Filkin, John Williams and myself, this report focused on findings from research into some ground-breaking partnerships, the like of which local government had not seen before. During the research, and in subsequent discussions with both our local authority partners and the private sector, it became clear that further research work was needed to address the continuing management of these partnerships.

How will authorities and their partners establish the management structures and formal mechanisms to deliver mutually agreed objectives? What constitutes an effective client? How should quality, continuous improvement and performance be addressed both contractually and in the developing relationship? What are the skills and training necessary to ensure that these longer-term contracts, often worth hundreds of millions of pounds, remain vibrant and effective in delivering their objectives?

It was suggested in an earlier publication, Achieving Best Value (Filkin 1999), that good procurement would provide the central improvement methodology for best value and that partnership-style relationships would be more likely to deliver the desired outcomes than adversarial contracts.

NLGN has undertaken a study of nine leading public/private partnerships and engaged in discussions with many practitioners and colleagues from the private sector and the public sector (guided by an advisory group). This report answers the questions and adds to the learning in the important public policy area of strategic partnerships.

It is clear from our findings that the culture of partnership is critical to success. Partnership management structures take a number of different forms but all provide the mechanism for close communication at strategic, management and operational levels. For this report, we have taken a look at some partnerships that are not necessarily strategic in their scoping but that have addressed the fundamentals of partnership working with respect to how the relationship is managed.

Through the case studies and reflection this study seeks to:

- Learn lessons from some of the leading partnerships
- Identify the critical success factors for relationship management
- Provide some guidance for the development of relational client/contractor roles
- Provide a self-assessment tool for partnership potential

I have been supported by a number of organisations, a helpful and thought-provoking advisory group and my colleagues at NLGN. I am grateful for their encouragement, help and advice. I would also like to thank all the partnerships that were so generous with their time on our visits.

Enid Allen
February 2002
‘Partnering involves two or more organisations working together to improve performance through mutual objectives, devising a way of resolving disputes and committing to continuous improvement, measuring progress and sharing gains.’

*The Egan report, Rethinking Construction 1998*

### 1.1 Preparation

Best value reviews address an authority’s ‘make or buy’ decision. Those decisions may be made on a case by case basis, but an authority should also think strategically about its overall performance and its on-going role in the community. The best authorities are giving serious consideration to how they need to change in order to deliver the maximum value to the communities they serve. In many cases, they have concluded that whilst they remain accountable for service delivery, they need no longer take on the delivery role themselves. Who delivers services is rightly becoming a secondary consideration to how well they are being provided.¹

Authorities have a wide range of options for delivering services and the best option will depend on a number of factors related to service need and the characteristics of an individual authority. There is no ‘one size fits all’ model for achieving continuous improvement in service delivery and authorities will need to consider whether the options they favour address properly their own individual needs. Is investment required? Are the right specialist skills available? Would greater scale (that is, working with other authorities) deliver overall savings? Is forming a partnership with the private sector a viable option?

Working with the private sector can offer exciting opportunities for authorities but understanding and exploring the market are essential activities to be undertaken before the partnership procurement process begins. Discussions with the private sector prior to formal procurement activity can help to define the scope of options and also assists in the preparation of an OJEC notice and subsequent service specifications. Critically, there needs to be a period of relationship-building with private sector bidders, along with an assessment of partnering potential, before contracts are negotiated.

Thorough preparation before starting on the process of procurement is essential. Appropriate internal and external consultation should take place to ensure that current and future service requirements are understood and agreed. This process should be fully documented, both for future reference and to leave an audit trail. Accurate records of all employees who may potentially be involved in transfer to an external partner will need to be compiled in order to comply with TUPE regulations. This will also ensure that employees’ rights are assured and accurate financial information is passed on to bidders. Inaccurate TUPE information will produce inaccurate proposals, which is bad news for everyone concerned. Similarly, accurate and up-to-date information on any assets, which may be transferred, including their condition and book value, should be available in the form of an asset register.

Advice should be taken on the EU procurement process to avoid legal challenge and to meet the authority’s needs without ambiguity. Bid evaluation criteria need to be considered carefully along with the evidence from a prospective partner in order to demonstrate that it meets the criteria.

Furthermore, authorities need to give consideration to how they intend to manage the partnership through its life, as change will be required by both parties to assure success.
'Preparation is the one-off opportunity to get it right for the duration of the deal and performance measures should be part of the evaluation criteria, along with the plan for incremental improvements.'

Nicola Mark, Head of Client Support Services, Norfolk County Council

1.2 Drivers and objectives

Authorities have different drivers and objectives for entering into partnerships and these will reflect particular local circumstances. Regeneration or job creation and retention play a significant role in most of the partnerships we visited.

In the Bedfordshire County Council/HBS partnership, the County’s drivers had their origins in 1997 when Luton became a unitary authority. In spite of the reduction in number of departments from 12 to four, the Council was still short of resources. There were poor internal communications despite the smaller number of staff and less corporate focus than was desirable. The Council was at the forefront in implementing the modernisation agenda and saw a strategic partnership as a means of securing the needs of a modern local authority. This included the need for modern business systems, long term investment and innovation to improve services and the commitment to new ways of working. A public/private partnership would enable the Council to focus on its core priorities such as community leadership, setting service standards and managing and monitoring performance.

In the Blackburn with Darwen Borough Council/Capita Group Plc partnership, Capita were motivated by the desire to set up a regional business centre for a range of services. They assessed Blackburn with Darwen as a council with a partnership approach; as forward thinking with successful service delivery. The politics were stable. The unitary status of the Council allowed a partnership to deliver a wide range of services to the market. The Council wanted the partnership to create new white-collar jobs in the town centre and was keen to achieve a regional business centre before any other council in the region. This would mean that the jobs created were supporting Blackburn’s regeneration and prosperity. There was an open procurement process.

In the Caterham Barracks Village Trust/Linden Homes/Tandridge District Council partnership, the local ward councillors were highly motivated to ensure that there was no repetition of an earlier development of 450 dwellings which had been permitted without any additional community facilities or improvements in public transport. Influenced by the surrounding community, the councillors sought to ensure through both the consultative process and the subsequent planning consent, that new businesses and significant community, educational, leisure and transport facilities were part of the design concept.

In the London Borough of Islington’s partnership with Cambridge Education Associates the driver was a direction from the Secretary of State, following a poor Ofsted report on the LEA. For some years it had been clear that there was a serious problem with Islington schools. Middle-class parents had been moving to neighbouring boroughs or to the edge of the LB Islington, in order that their children could be placed at better schools elsewhere.

The Ofsted report was the trigger for change. It identified Islington’s LEA function to be, to all intents and purposes, beyond repair. Islington responded positively and indeed exceeded the remedial requirements
imposed by the Secretary of State by proposing that the formulation of an education strategy should be included within externalised arrangements. Prospective partners were screened for their partnership potential, as the authority understood that close co-operation would be essential to ensure the dramatic improvement demanded for the children in Islington’s schools.

Commissioning a partnership needs to link the strategic aims of each partner and the service delivery goals in a long-term process. The specification should concentrate on the service outputs required bearing in mind the policy outcomes being sought.

In the **Dudley Metropolitan Borough Council/Dudley Priority Health Trust/Norwich Union PPP Fund/Mill Group** partnership, the initiative was geared to providing a one-stop shop for a wide range of health and social services including:

- Routine community health services
- A public library
- A social work adult care assessment team
- Home care services
- Outpatient facilities for the local hospital trust
- An out-of-hours GP service

This was a response to a review of innovative approaches to healthcare services, and in conjunction with the local authority, the creation of a campus of local community facilities on the site. A major difficulty however was that the PFI funding regulations are different for health and local government, adding further complexity to the process. As a result there had to be two separate contracts along with an over-arching contract between the two public bodies. Furthermore, the timetable of the project meant that local GPs found other accommodation before the facility came on stream, so that this component of the original project was not realised.

In **Hertfordshire County Council’s** latest partnership commissioning – the next generation of highways service procurement – the authority is looking to:

- Improve the quality of highways services without escalating cost beyond ability to pay.
- Eliminate unnecessary bureaucracy and duplication by streamlining the supply chain so that those best placed can deliver the end service as a first-time action.
- Balance a consistent core service with an ability to reflect local community needs.
- Give service suppliers scope for action which in turn can be adequately monitored and evaluated.
Provide means to ensure constant improvement.

In the **London Borough of Islington/Cambridge Education Associates** partnership, CEA are required to:

- Raise educational standards in Islington.
- Contribute to and support the effectiveness and efficiency of schools.
- Exhibit economy, efficiency and effectiveness and seek continuously to improve its own performance.

1.3 Clarity of purpose

In advance of any procurement it is critical that time is spent defining and recording the clear objectives for the project. In addition, the basis on which key decisions will be made and the success criteria for the project need to be understood as part of the overall project plan. Unless authorities can articulate these objectives, communication with staff, unions, members and stakeholders will be difficult. Clarity of purpose will also help to provide a basis for discussion with potential private sector partners.

**Key questions for authorities:**

- How efficient and cost-effective are we compared with our local authority family and where can improvements be made?
- Can we achieve a step-change in the quality of services offered to users or to the proportion of citizens who are eligible for the services?
- How will we measure value for money?
- Do we need short-term savings or value for money over a longer time frame?
- Do we need major capital investment to achieve our objectives?

Community considerations may well be crucial in defining the purpose of a partnership. In respect of the **Caterham Barracks Village** project, the local authority was determined that the site and its facilities would be an asset for the whole community, not just for the new residents, and was ambitious in its plans for adding value to the quality of life in the district generally. In an area where major housing developments had in the past been built without associated social infrastructure, it was considered critical to work with the developer through the mechanism of a $106 agreement in order to address this issue.² Getting listed building status for some of the blocks in the former barracks was also treated as a priority by the council as this would then influence the way in which the site would be developed. There were major social issues around urban development as 65% of the population commutes out of the area to work. The quid pro quo for a larger development was that the wider community would benefit from better facilities, thereby helping to enliven the area on weekdays.

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² $106 agreements are used nationally to secure benefits for the community from planning approvals that cannot be secured in other ways. They have been part of the planning legislation since 1949. They are generally used by planning authorities to secure extras that benefit the planned environment. They are legally binding and enforceable by law. Developers often have to lodge bonds with the planning authority to the value of the amount they have to invest back into the community. The bond is only returned when the authority is satisfied that the developer has complied with the agreement.
1.4 Stakeholder consultations

Authorities should consult widely before committing to any course of action. Even if no new ideas are brought forward, proper consultation engenders trust and a feeling of involvement for stakeholders.

The importance of consulting stakeholders even before a partnership is finalised is well demonstrated by the Linden Homes/Caterham Barracks Village Trust/Tandridge District Council partnership. Linden Homes, on behalf of the other partners in the project, organised a planning weekend on the Barracks site to take soundings on the options with which the local community would be happy. Expectations for the weekend, which would include guided tours around what had been a secure MOD site for many years, were that a modest amount of interest would be shown. In the event, more than 1,000 local people came along, listened to the options, and toured the site. The Guinness Trust and the Housing Association were represented at the planning weekend. One result was that affordable housing, with a density of 27% (the planning authority was reviewing the current local density levels of 25% with a view to increasing them to 30%) was subsequently peppered across the site. Linden Homes built those properties to look identical externally, although with some internal modification.

‘In conjunction with our consultants, John Thomson and Partners, we teased out the problems, dreams and solutions of local residents so that a replication of earlier urban development problems did not occur’

Ivan Ball, Project Director, Linden Homes

The results of the soundings were transformed into a development Master Plan and the planning application was submitted. The consultation process won an award for its scope from the British Urban Regeneration Association for the degree of consultation. This generated a land definition allowing the local authority to exercise its duties properly. The neighbouring community were told that there would be a higher density of dwellings to ensure commercial success – and this was accepted. Planning consent was obtained for mixed use of the site in the form of an urban village providing community facilities not just for the site but for the benefit of all those around. It would ensure that the village was alive in the daytime as well as evenings and weekends. Some of the facilities included a supermarket, offices, vet’s practice, nursing home and health and fitness centre. Not all of these features maximise the income to Linden Homes but do provide the community benefits that make the site more attractive generally and the value of the homes has increased by up to 50% above Linden Home’s initial valuation.

Prior to the partnership with Cambridge Education Associates and following the London Borough of Islington’s poor Ofsted report, the Council undertook only limited consultation. This was partly because Islington had already declared in public that it accepted what needed to be done. The Council would therefore have had little credibility if it had asked for comments on the principle of outsourcing. However, the Council did go through proper consultation processes on the different elements of the specification, how the process should be managed, and how the changeover should be handled. While most stakeholders participated in this process, it was completed quickly and easily, without a high level of apparent interest by any of the consulted parties.
1.5 The procurement process

A typical partnership procurement will go through the following stages:

- Project team established
- Initial consultation with all stakeholders
- Definition of objectives
- Business case (including risk assessment)
- Market analysis
- Soundings of potential partners
- Consultation with staff, members and unions
- Procurement strategy (including project management plan)
- PIN notice
- OJEC notice inviting expressions of interest and the route – open, restricted or negotiated
- Pre-qualification stage – do interested parties meet the technical and financial requirements?
- Invitation to tender or negotiate – detailed bids invited in response to an Information Memorandum, access to a data room and all other relevant information
- BAFO – progress to Best And Final Offer
- Further consultation
- Straight to preferred partner for final negotiations where there is a clear winner
- Contract award
- Implementation/phase-in
- Operation and management
- Post-implementation review

The procurement process has to be managed professionally as it is a complex project needing detailed attention to timetabling. Care needs to be taken to address the time implications of the authority’s democratic process and the prospective partner’s requirements.
DTLR’s Strategic Partnering Taskforce is currently finalising work on a peer review process similar to that used for central government procurement\(^3\), whereby a project review is conducted at milestone stages of the procurement process, to assess progress and to realign the project where necessary.

Current performance data, accurately collated, should be provided to bidders and any unusual service elements specified clearly. The benchmark for performance improvement and for the baseline measurement of performance indicators requires clarity from the outset. Consideration needs to be given to the issue of which party will bear the risk for inaccurate or inadequate performance data.

Evaluation criteria for tenders should be decided in advance and focused on meeting the objectives of the local authority. Key criteria should include the ability to work in partnership if that is the requirement for the working relationship. The process needs to include a risk assessment and where applicable the full involvement of stakeholders.

Joint procurement (for example, through a consortium) should be a consideration at the outset, particularly for smaller authorities so that there is sufficient scale to attract the interest of the private sector. This is far from an easy task, however, and joint procurement is notoriously difficult to achieve.

**1.6 Choosing the ideal partner**

A few of the authorities visited recognised the importance of making an assessment of compatibility early on in the process of acquiring a partner. Nonetheless the process to determine the characteristics of an ideal private sector partner was at best immature.

Managers can improve the odds of a smooth relationship by screening potential partners for compatibility (Sull 2001).

Private sector managers, on the other hand, were very clear about the desired characteristics of local authorities that they were prepared to engage with. Given the risks involved in partnership and the cost of the bidding process itself, this is clearly an important factor for the private sector in mitigating the risks of bidding in the local authority market. All of the major companies we interviewed have a process in place to evaluate opportunities and to assess partnership potential in an authority.

*‘There are more commercial benefits in a partnering contract, despite the significant management input to the relationship. It is worthwhile and will remain Mouchel’s preferred way of working.’*

John Glanville, Unit Manager, Mouchel

It is of major importance that authorities considering entering into an agreement with a service provider remember the long-term nature of the relationship. Much can change over the lifetime of such a contract and no one can anticipate every eventuality. Selecting a partner who will fit in with the culture of the authority and who will address those changing needs over time is of critical importance.
Choosing a potential partner

- Does the private sector company understand our corporate aims and objectives?
- Do they appreciate the trends and pressures on these services that will drive our business over the coming years?
- Will they have the foresight, innovation and flexibility to work with us to achieve our goals?
- Have they understood the wider issues surrounding the task to be outsourced?
- Has the bid team explored the upstream and downstream effects of the proposal and does it reflect a systematic approach to meeting our requirements?
- Does the proposed solution add value to our processes or simply meet the defined tasks list?
- Who are the driving forces behind the company’s proposals and will they still be around once the contract has been let?
- Are they people with whom we can develop a long-term strategy for services?
- What structures and mechanisms do they propose to put in place to ensure that long-term issues are addressed?
- What skills and capabilities is the company able to draw upon in meeting future needs that are not reflected in current requirements?
- How will these be accessed and on what basis will they be made available?
- Does the company have management competencies that will substantially strengthen our position?

(White and James [eds], Nicholls 1996)

Blackburn with Darwen Borough Council was very clear about their criteria for selecting a potential partner. The private sector partner had to provide:

- Robustness
- Access to capital
- Track record of service delivery and on workforce issues
- Right service solutions
- Quality
Contribution to economic regeneration

The right values for public service

Below are the characteristics identified in our research by the private sector for their ideal local authority partner. These can be used by authorities to assess how attractive they may be to the private sector.

**Leadership**

There should be strong leadership and sponsorship for the partnership across the authority, with the vision well articulated and aligned to the local, regional and national agenda. The leadership needs to be effective in developing cultural change and the right culture required for partnerships to thrive. There needs to be sustained input from the leadership through the life of a strategic partnership.

**Commercial awareness**

There needs to be a clear understanding of what is important to the contractor and greater commercial awareness, along with a recognition of the different motivations of different partners. This does not preclude the agreement of mutual objectives and a common agenda, but ensures the realisation that each partner has a different set of drivers for achieving a successful partnership.

**Management structures**

Authorities need realistic and competent managers, working across flat and flexible structures, dealing with strategic and crosscutting issues – supported by high quality policy teams. They also require managers who are able to work to procure solutions and to manage the resultant contractual relationships. Such managers would have an open approach to communication and representation, with the main emphasis on measuring outcomes and user satisfaction, rather than throughput and contract compliance.

**Culture**

There would be a strong, well-articulated culture that is visibly espoused by the leadership and senior management and supported by lateral networks. Excellence would be sought after and celebrated. The authority would be achievement-centred with a total focus on public service excellence. The organisation would be attractive to people and providers and be seen as desirable to be associated with.

**Role**

Members and officers need to guide and facilitate in the achievement of public service excellence with an open and flexible approach to service delivery based on the principle of commissioning, not doing everything in-house – ‘steering, not rowing’.

**Overall**

An authority with a clear sense of vision and purpose. This would give private sector suppliers the confidence to invest in developing innovative solutions and long-term relationships. The authority would
have stability in policies and programmes that would be capable of transcending political swings in both local administrations and national policies.

In summary, an authority that wants to be successful in partnership working will drive its external partnerships with rigour and will challenge its private sector suppliers to deliver year-on-year improvement and innovation. It will therefore choose a private sector partner that understands the authority’s view of how a partnership contributes to the overall aims of the authority and its wider community planning. It will allow potential partners open access to departments in the procurement phase and involve trade unions in the procurement process. This is particularly important in relation to support services to ensure that all back-office implications have been considered, along with the impact on front-line services.

Contracts ideally should not be the subject of political oscillation. Modern political structures, providing scrutiny of all partnerships, are likely to be welcomed by private partners as providing the key link to the democratic process in a structured way. The client and the executive should be responsible for letting and managing the contract. At the same time an administration needs to be politically confident that the right inputs are there to enable this to happen rather than wait for problems to arise before putting the right structure in place.

1.7 The contract for partnerships

A partnering contract represents a step-change up from what has been the common currency for contractual relations – the adversarial contract.

It will contain the usual provisions for setting out the obligations of the parties, and for providing for dispute resolution should matters deteriorate.

It will, however, be a far more optimistic document, in that it looks forward to what will be achieved in a partnership, providing flexibility for change in a collaborative environment.

Thus the inevitable, but necessary boilerplate clauses will be enhanced by the more positive dimensions:

- Identification of the outputs that are required in order to achieve the outcomes agreed by the parties.
- A structured change mechanism which will provide sufficient flexibility to enable the relationship to survive external influences which might otherwise render the contract inoperable.
- A robust payment mechanism that identifies how and on what basis payment will be made and which may incentivise the service provider to provide continuous improvement and add value.
- A robust performance monitoring mechanism that sets out the targets for the partner to meet, together with default and compensation provisions.
This will be linked to:

- A partnering agreement that sets out the long-term aims and objectives of the partners, builds an open procedure for dialogue and negotiation to meet best value and continuous improvement of the services.

- A robust exit strategy that describes – for both parties – what will happen at the end of the contract or in the event of early termination, and provides certainty that service delivery will not be affected under these circumstances.

Domberger (1998) states that a relational contract is a response to the problems of inflexibility and non-cooperation that often plague classical contracts. If the parties can respond to events as they unfold without invoking the small print in the contract, the solution to the problem is likely to be more effective and achieved more quickly. It may involve some post-contractual bargaining, but that should not be a problem in a healthy partnering or strategic alliance environment.

An appropriate change mechanism, along with the formal structure through which change will be managed and costed, is essential and needs clear definition at the start of the partnership.

Serious consideration should be given to programming in a full project review at intervals during the contract to ensure the partnering arrangements are providing innovation, quality of service and continuous improvement – that is, best value.

There should be a partnership agreement incorporated into the contract that determines the aims and objectives of both parties and the longer-term goals for the relationship, with the identification of the benefits for both partner organisations. The review of the agreement should be enshrined within the contract so that it will remain fresh and relevant, addressing the changing world, which will impact differently on the partners.

The responsibilities held by each partner should always be explicit in the contract, and authorities generally would welcome model draft partnering contracts.

‘We would have benefited from more time talking with our partner, Capita, designing the structure of the contract so that it encompassed partnership principles. We talked about the framework, which made it easier but it was all still relatively new. There is a clear need for relevant draft contracts.’

Phil Watson, Chief Executive, Blackburn with Darwen Borough Council

In addition, a plain English text outlining the principles of partnership or ‘Spirit of Partnership’ as understood by each party can help in identifying any areas lacking a consensus, which might not have been revealed through the more formal language of contracts.
1.8 LEARNING POINTS FOR LOCAL AUTHORITIES

- Ensure funding is available for the procurement process.

- Build up the in-house capacity for dealing with new ways of delivering services.

- Involve members and users in procurement, in service definition and bid evaluation – ‘ownership’ is essential.

- Ensure that evaluation of partnership potential is undertaken by both parties as part of the ‘due diligence’ process. Understand that selecting a partner is a two-way process.

- Link customer satisfaction indicators to the payment mechanism in order to assure focus on outcomes.

- Include the structures for partnership relationships and governance in the legal agreement.

- Make an early start on planning to ensure that the skills and competencies that are required to procure and develop a strategic partnership will be available.

- Be clear what ICT and other assets you have when you start to procure a partnership. Create an asset register.

- Don’t be too prescriptive about what you want from a prospective partner as you may stifle innovative responses. Instead, communicate the outcomes and standards you want and discuss how these might be achieved.

- Provide realistic estimates regarding the need for consultancy support and the related fees. Take expert advice early, but use it sparingly: a little good advice can go a long way.

- Assign roles for the officers and members in the procurement process and ensure full commitment from the chief executive and the leader to complete the project successfully.

- Understand what drives your potential partner.

- Take a realistic approach to defining risk and reward sharing arrangements.

- Involve stakeholders throughout the process.

- Understand the current budget and cost of the services before procurement to ensure clarity for the financial evaluation. Perform a baseline review of all included services, identifying current performance levels and associated costs.
Plan the project rigorously, keeping the same team together throughout the process if possible. Different skills may be needed at different stages, but continuity of key staff is essential.

Manage risk – create a risk register, value risk and manage them according to a risk management plan.

Ensure a rigorous process for project review, incorporating a health check on status at regular intervals.
‘The partners should agree the management structures before signing the contract – this should allow good communication between both parties.’
Working Together, DTLR 2001

2.1 Universal strategic overview – the different structures

A table of the partnerships we visited is appended on the following page. It provides a summary of the drivers and objectives for the partnership and the management structure in place to address the continuing relationships. The more detailed structures for each partnership are provided throughout this report.

All partnerships need effective governance arrangements. Good partnership governance must:

- Define what is meant by the ‘partnership’
- Be accountable to all partners
- Be transparent and understood by stakeholders
- Involve and communicate with all stakeholders
- Be based on trust and openness – e.g. open-book accounting arrangements

Whatever structures are put in place to manage the partnership at all the appropriate levels – strategic, business, operational – the status and role of all boards, steering groups and committees should be explicit and widely understood within both organisations.

All those involved in managing the project must understand their responsibilities clearly – and to whom they are accountable – in order to assure good governance.

**Strategic** overview is required from the most senior level of both organisations, including elected members, to provide continuing review of the direction of the partnership and to ensure that the objectives of both parties are achieved over time.

**Business** direction is provided at director level to agree business plans and major project initiatives in accordance with the overall objectives of the strategic body.

**Operational** management will be undertaken by the officer with client responsibility and will usually be achieved through a combination of informal encounters and formal meetings with the supplier’s contract manager on a regular basis to address on-going operational issues. Where a true alliance is achieved, operational management will be carried out jointly.
Table 1 Partnerships we visited for the study

<table>
<thead>
<tr>
<th>Started</th>
<th>Objectives</th>
<th>Scope</th>
<th>Value by year</th>
<th>Duration</th>
<th>Partnership structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bedfordshire</td>
<td>Investment for quality service delivery</td>
<td>HR</td>
<td>£14m plus schools direct purchasing of £6m</td>
<td>12 years</td>
<td>Strategic Partnership Management Board</td>
</tr>
<tr>
<td>County Council/HBS</td>
<td>Performance improvement</td>
<td>ICT</td>
<td></td>
<td></td>
<td>Strategic Partnership Steering Group</td>
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<tr>
<td></td>
<td>Process re-engineering and access to skills and ICT</td>
<td>Finance</td>
<td></td>
<td></td>
<td>Partnership Review Forum</td>
</tr>
<tr>
<td></td>
<td>Greater corporate focus on end user</td>
<td>Business and planning</td>
<td></td>
<td></td>
<td>Project Teams</td>
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<td></td>
<td>Savings in support service costs</td>
<td>Procurement and student awards</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>Contracts and financial management</td>
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<td></td>
<td></td>
<td>Support services (including social services)</td>
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<td></td>
<td></td>
<td>Education and school services</td>
<td></td>
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<tr>
<td>Jun 2001</td>
<td>Best value</td>
<td>Payroll</td>
<td>£20m</td>
<td>15 years</td>
<td>Strategic Partnership Board</td>
</tr>
<tr>
<td>Blackburn with</td>
<td>Savings in support service costs</td>
<td>Revenues and benefits</td>
<td></td>
<td></td>
<td>Operational Partnership Board</td>
</tr>
<tr>
<td>Darwen Borough</td>
<td>Service improvement/ e-government</td>
<td>Financial services</td>
<td></td>
<td></td>
<td>Service Improvement Groups</td>
</tr>
<tr>
<td>Council/Capita</td>
<td>Regeneration</td>
<td>ICT digital technology</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Group Plc</td>
<td>Creation of job diversity</td>
<td>Property</td>
<td></td>
<td></td>
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<td></td>
<td>Town centre development</td>
<td>Highways consultancy</td>
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<td></td>
<td></td>
<td>Educational support</td>
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<tr>
<td></td>
<td></td>
<td>Civil engineering consultancy</td>
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<td></td>
<td></td>
<td>Architecture</td>
<td></td>
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</tr>
<tr>
<td>Jul 2001</td>
<td>Construction of joint facility with PFI support</td>
<td>A PFI for a Mental Health Unit, Library and Social Services office in one location</td>
<td>On-going FM charge of £500k</td>
<td></td>
<td>Project Board</td>
</tr>
<tr>
<td>Dudley Metropolitan</td>
<td>Development of an urban vector with community facilities, including educational, business, recreation, and also transport to benefit the surrounding community in addition to the new residents</td>
<td>400 dwellings</td>
<td>Value of S106 is £2.5m in total for the development of the community facilities</td>
<td>Development will continue to 2006</td>
<td>Dudley Metropolitan Borough Council/ Dudley Priority Health Trust/Norwich Union PPP Fund/ Mill Group</td>
</tr>
<tr>
<td>Dudley Metropolitan Borough Council/ Dudley Priority Health Trust/Norwich Union PPP Fund/ Mill Group</td>
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<td>Started</td>
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</tbody>
</table>
| Hertfordshire County Council/Mouchel Oct 1997 | Address declinings internal business  
Job retention from access to wider training  
Improved quality of highways services  
Streamlining of supply chain | Highways network and transportation consultancy | £7m           | 5 years  | Annual Review Meeting  
Partnership Strategy Group  
Progress Meeting |
| London Borough of Islington/Cambridge Education Associates Apr 2001 | Commissioned as a result of a direction following a poor OFSTED report, the contract requires CEA to deliver educational attainment improvements | The full range of LEA functions for school and support services but excluding Early Years and Life-long Learning | £10 for schools services plus £3m buy back from schools | 7 years  | Islington Partnership Board  
Reports to Education Committee |
| London Borough of Islington/ITNET Apr 1999 | Service rectification  
Savings | Housing and Council Tax Benefits | £4.5m          | 10 years contract extended by renegotiation | Directors Meetings  
Operational Meetings  
Risk and Project Meetings  
Stakeholder Meetings |
| Lincolnshire County Council/HBS Apr 2000 | Improve service delivery  
Savings  
Jobs retention  
Reduce support costs | Finance  
ICT  
Property  
Personnel  
Catering | £28m now £36m | 10 years | Partnership Board  
ASD Management Board  
Contract Management Group  
Service Development Group  
Service Improvement Programme |
| Norfolk County Council/Capita Group Plc Aug 1999 | Innovation and e-government  
Best value service planning  
Savings  
Improved service standards  
Contribution to wider community well-being | ICT  
Exchequer payroll | £4.7m initially | 10 years | Strategic Partnership Board  
Joint Member-Officer Working Group  
E-Chief Officer Group  
Operational User Groups |
In the Blackburn with Darwen Borough Council/Capita Group Plc partnership, the Partnership Board, comprising senior councillors and officers and senior Capita directors, is the strategic vehicle and has the following role:

- Custodian of the relationship
- Strategy, business planning and major change initiatives
- Business development
- Performance monitoring
- Dispute resolution
- Accountability and subject to scrutiny
In the Lincolnshire Council County/HBS partnership there is a contract management board that receives reports on Key Performance Indicators (KPIs) and any failures to achieve them, from the complaints log, risk log, and complaints from directorates. Questions on strategy are addressed to this board. Opportunities are provided for issues to be raised and it is acceptable for these to turn into a general debate. There is currently consideration of the KPIs – are they the right ones? There are over 200, with 56 in IT alone. There is a wish to look for more outcome-focused performance indicators and to drop some of the KPIs that measure inputs only. Only the leading political party is represented on the Board, which has led to a feeling of disengagement by some members.

“*We accept that the process is evolutionary which benefits both parties as the process changes to meet the nature of the partnership.*”

Mary Gordon, Operations Manager, HBS Lincolnshire

In the partnership between Hertfordshire County Council/Mouchel the strategy body – the Partnering Strategy Group – did not involve elected members. This group’s functions were:

- To agree the partnering code documents
- Review workings of the partnership
- Finance
- Progress
Quality

- Mouchel issues relevant to the partnership
- Hertfordshire County Council issues relevant to the partnership
- Developments including future work programme and finance

Of the partnerships we visited, none has created a joint venture company for the formal legal entity between the parties; although our previous report (Filkin et al. 2001) looked at the Liverpool City Council/BT partnership which is based on such an arrangement.

All have a contract and a form of partnership agreement which describes how the parties will work together. They all require the three levels of governance interface – strategic, business and operational – to be in place, along with other more informal day-to-day interactions that ensure effective partnering.

The design of the key relationship interface and arrangements for controlling and monitoring the contract may differ to suit different partnerships. Of greatest importance are clear definitions of the roles and responsibilities of the various parties and an understanding of the governance arrangements across both organisations.

In the projects studied, the service provider partner usually has the responsibility for direct monitoring of performance, reporting regularly to the authority by way of management reports. This provides the formal
way of assessing the partner’s day-to-day performance against agreed metrics. The emphasis is on post-event audit of performance rather than real-time monitoring. It is the responsibility of the client to ensure that mechanisms are in place for feedback from the recipient of the service, in order that changing needs may be addressed appropriately.

There is a cost in both organisations for managing the relationship (see Appendix 2). This cost is measured in some partnerships but in others it is subsumed into overheads without definition – making it difficult to assess the cost-effectiveness of partnerships at subsequent reviews. There is also the additional cost of the client/contractor interface and authorities should aim to be very clear about the overall cost of operating the services. A ‘slim client’ (i.e. one that does not have the capacity either to ‘second guess’ the detail of a partner’s professional view or undertake substantial monitoring activities) is clearly desirable, rather than any attempt to replicate professional and technical expertise that has been transferred to the partnership or contractor.

The roles and responsibilities of the partners need to be clearly defined contractually and understood across both organisations to minimise conflict and potential disagreements, as well as to ensure the understanding of the contribution that each is required to make for mutual success.

2.2 Roles and responsibilities

The key partnership relationships are established during the bidding process. Partnerships are often the product of visionary leadership and the creativity of a small number of senior figures in both organisations. Together they build the vision of a partnership and what is to be achieved. This vision needs to be carried forward into the management of the partnership to ensure that a structure and process is in place to translate that vision into reality and that the departure of key individuals will not impact on the development of the partnership.

The success of a partnership is never the sole responsibility of any one partner. For each partner to understand its role in delivery outcomes, there needs to be clarity of roles and definition of responsibilities. While the local authority needs to ensure that services are delivered on time, at the agreed quality and at the right price, how the provider delivers these services would not normally be the concern of the authority, unless it affects the end result.

Authorities need to ensure delivery of results, not manage the detail of the operation – the ‘what’, not the ‘how’. Managers accustomed only to managing people and things in the core, have been used to controlling the ‘how’ in order to get the right ‘what’ in the belief that if you have the right processes and procedures, you will get the right result. Letting go of the ‘how’ seems to them to be letting go of control. It is not, it is just a different way of managing (Handy 1999).

The authority needs to learn to influence outcomes through engagement with the partner in an effective and collaborative way.

Of critical importance to a number of the partnerships visited was the clarity of each party’s role, with the client often needing to understand that it no longer delivers the service but is responsible for strategy. Formal quality assurance processes can be written into the contract but a greater focus on strategic outcomes and working at the relationship can be more effective. Relationships between partners may often be excellent at the beginning of the arrangement but when individuals move on, the spirit of the original partnership concept
might then be lost. Under these circumstances, where the ‘Spirit of Partnership’ has been documented, those who supersede the initial partners will be able to understand the intentions rather than study legal wording.

Understanding the responsibilities is important and we suggest the following:

- A robust framework for management needs to exist.
- The understanding and ‘vision’ for the partnership needs to be conveyed to and understood by all levels in both organisations.
- Proper client expertise with appropriate staff resources. It can be a ‘slim client’ and must be capable of undertaking the strategic overview as well as understanding the more detailed requirements for service delivery and the broader policy agenda.
- Ownership of the partnership and its performance is required at each level with a clear chain of command for early identification of problems. The right indicators in place to identify success and problems, and a process to ensure any concerns reach the highest level of corporate ownership.
- A performance culture established in the authority ensuring performance indicators as agreed, are reported to the highest level (including politicians) routinely, monitoring results against objectives. This will also ensure that the authority as a whole understands that performance counts and that there is a focus on the overall picture, not just on areas where service performance is poor or failing.
2.3 Communication

Good and open communication between the partners was considered essential in all the partnerships we visited. Formal structures, which established where decision-making lay, and the less formal day-to-day discussions, were considered important in maintaining trust and advancing the objectives. Physical barriers to communication were referred to in several partnerships. Those examples where the services and the service delivery had remained in the same premises as the client, or close to, were considered to provide easier and more productive working relationships.

In the Hertfordshire County Council/Mouchel partnership there is a partnering code. In addition to addressing the communications between the two organisations, this partnering code contains a communication protocol which embraces media relations along with definition of the roles and responsibilities for public relations. Both partners agreed that effective communication between staff at all levels is vital to assuring good results from the partnership. In addition to regular joint workshops, there are periodic newsletters which keep all staff up to date on any changes, successes and events in the partnership. The staff are also surveyed at the same time as updates on progress are distributed.

2.4 Skills

NLGN has earlier suggested that local authority client managers should have a general understanding of contracting in the environment they are responsible for managing (Filkin et al. 2001). However, it is not enough to have provided the in-house service; this does not prepare the client manager for the level of business understanding required to manage the commercial relationship. The private sector should also be required to provide managers who are similarly experienced and trained to understand the local authority environment.

We asked authorities and the private sector about the new skills that were necessary in the partnering authority and the following were identified.

- Effective communication
- Relationship management
- Project management
- Sound understanding of the contract – commercial awareness
- Business management
- Strategic analysis
- Risk management
- Negotiation
- Effective listening
London Borough of Islington and ITNET
Relationship Management Structure

London Borough of Islington and Cambridge Education Associates
Relationship Management Structure
The partnerships we visited that were progressing most successfully had also identified these skills. In the **London Borough of Islington**, where significant difficulties had hampered the ITNET contract for Housing Benefits, senior management in the authority needed to step in to facilitate the remedial process and put the relationship back on track. At the time of writing a new director was about to be appointed in LB Islington and service delivery partnering is now juxtapositioned with Council performance, ensuring director-level attention on improving partnering capability and performance.

The poacher-turned-gamekeeper approach can be useful and a client who has worked in both the public and private sector can bring an added dimension to working in a commercial relationship. There was evidence of this happening in two of the projects we visited although it is more common for staff to transfer to the private sector rather than the other way around.

Good practice from the partnership projects studied suggests that staff should not be allocated to client functions, including monitoring, simply on the self-selection basis of not wishing to transfer into the partnership.

Using displaced and potentially resentful staff as contract monitors certainly places at risk the integrity of the performance evaluation process (Reca and Zieg 1995).

In Sir Ian Byatt’s review of procurement *Delivering Better Services for Citizens*, it was identified that client managers should be party to the contract negotiations to ensure the transfer of knowledge and understanding into the relationship management of the deal (DTLR 2001).

Cross-fertilisation between public and private sectors was considered by some of the partners we visited to be a useful way of raising awareness of the management issues for partnerships.

Greater commercial awareness was considered necessary for some local authority managers to cope with the open-book regime that provides full financial information, and with access to the operations of commercial organisations, along with secondments, to gain even greater understanding.

> *‘We needed to acquire new skill sets in the council – to manage outputs, not service delivery.’*
>
> Pete Moore, County Treasurer, Lincolnshire County Council

In the **Hertfordshire County Council/Mouchel**, many of the district councils have transferred engineering staff to the County, which has simplified the client side. In future there will be four area offices with self-managed teams for the new contract comprising a three-way, co-located partnership – client, contractor and the consultant. The accountabilities between the parties will change to reflect who is best placed to deliver the service right first time and avoid unnecessary duplication of roles. This will provide better working relationships and more effective use of the budget. Delays in communication will be overcome by working alongside one another.

In the **Caterham Barracks Village Trust/Linden Homes/Tandridge District Council** partnership the Trust is to provide a range of community facilities for the arts, sports and non-statutory learning. It is in essence the traditional role of an authority which is being subsumed into a community group. Responsibility also includes economic wellbeing, health and the environment. Under the terms of the S106 agreement
Linden Homes, the developer, is responsible for producing the physical development of the spaces to an agreed expenditure level, with the Trust as partner and with the council having oversight.

### 2.5 Formal structures for managing change

Service change is addressed through an agreed protocol in the partnerships we visited.

In Lincolnshire County Council/HBS proposed changes are tabled at the monthly meeting, following appropriate joint discussions, and remain there for a month to enable further discussions and amendments to be raised. When agreed, the changes are incorporated.

The role of Tandridge District Council’s officers in relation to the Caterham Barracks Village is to monitor the developer’s timely compliance with its obligations to the community as enshrined in the S106 agreement. However, the officers also have a less formal role as the arbiter between the developer and the Trust and exercise conflict resolution through the effective relationships established with both parties. This brings the two of them together when there is a difference of opinion or some other relational problem.

At the start of the Norfolk County Council/Capita Group Plc partnership, a joint partnership manager was recruited, funded by both partners. This was useful in the early stages while the partnership was established, although there was a perception of lack of clarity about the ultimate accountabilities of the post holder, leading to concerns about possible conflicts of interest. Following a review of the management
of the partnership, the manager now works solely for Norfolk. It was considered to be an interesting experiment in the spirit of partnership but not one that was sustainable throughout an enduring operation in which functional conflicts might occur.

In the **Dudley Metropolitan Borough Council/Dudley Priority Health Trust/Norwich Union PPP Fund/Mill Group** partnership, the building of the combined social services offices, library and health centre is complete and the accommodation is now run by a Facilities Management Group comprised of the Trust, the Council and the private facilities management firm (Integral), which meets monthly. In addition, Mill Group (the project managers) and Yorkon (the building company) have a separate monthly meeting with the group. The formal procedures are structured in such a way that all due processes can be undertaken in good time before payment is made to the private sector side. The intention is that all problems should be solved informally, but if necessary this group has the teeth to take appropriate formal steps to ensure that the contract is delivered. When the building gets past the final sign-off stage, the builders will withdraw. For the next 24 years, the other partners will continue to meet, probably every three months.
2.6 The political interface

There are major political decisions to be taken when a partnership or other externalisation is proposed. Elected members need to be included in the options appraisal and at all subsequent stages of procurement to be fully aware of the implications of the decisions they will be asked to make. Equally the private sector will want to assess whether the elected representatives are in favour of partnership and will sustain their engagement over the life of the contract.

Elected members have a continuing role in the management of a partnership and in participating in the strategic direction of the partnership as befits their role as community leaders with democratic accountability.

In the Blackburn with Darwen Borough Council/Capita Group Plc partnership the Strategic Board includes the relevant Executive member and the Leader of the Council. Political control has been stable for many years. The Chief Executive and Capita provide information as well as having seats on the Board. Capita reports on performance and development plans to the Board.

In Lincolnshire County Council/HBS the County Treasurer briefs elected members as necessary but at least on a weekly basis. A report is provided to the Finance and Resources Committee four times a year on partnership performance, and managers from both partners attend the Committee.

In Hertfordshire County Council/Mouchel the elected members participate in the partnership through an annual review meeting along with directors of Mouchel and managers involved in the contract from both partners. As the name suggests, the purpose of the meeting is to review the work of the partnership over the previous year, to review the governance of the partnership itself and to establish the relationship between the two partners at the most senior level. A presentation is made to members on the work undertaken in the year, focusing upon how the partnership is developing and any particular issues thought to require consideration at such a senior level. The only other interaction with members is on particular projects and public consultation.

Local political leaders and the community developed an imaginative vision for the future of the site of the Caterham Barracks Village which conditioned the development brief that emerged from the local authority. The process affected the value of the land which was then the subject of a sealed bid auction with the MOD. Had it not been for the persistence of local political leaders, the project would not have happened. Local collaboration between politicians and the local authority officers was the key success factor in this venture.
In Norfolk County Council/Capita Group Plc there was a change of political control two years into the partnership. This provided an opportunity to take stock and to question, enabling the new administration to develop its own perspective on the way in which the partnership should develop within the organisation. As a result of this review, a new joint member/officer group was established, bringing further services into the partnership along with the development of a service model and change programme to meet e-government objectives. A cross-party approach has been taken to review the role of a contact centre in a county council environment and has raised awareness, along with achieving cross-party engagement for the longer-term. The elected member working group refers recommendations to Cabinet. The Scrutiny Committee is chaired by the opposition leader so that there is an opportunity to take reports and recommendations back if they do not have all-party support.

Norfolk County Council and Capita Group Plc Relationship Management Structure

- **Norfolk County Council Cabinet**
  - NCC Leader, Chief Executive, Elected Members
  - NCC Senior Officers

- **Strategic Partnership Board**
  - NCC Senior Officers
  - E-Chief Officer Group
  - Joint Member-Officer Working Group
  - Capita Executive Chairman and Board Directors
  - Each political party leader plus 2 additional members, NCC Partnership Director, Director of Corporate Resources and Director of Cultural Services

- **E-Chief Officer Group**
  - Capita Senior Staff
2.7 LEARNING POINTS FOR LOCAL AUTHORITIES

- Regard client and relationship management as potentially new career opportunities – identify and develop the necessary skills in the staff involved.

- Put in place partnership structures across the two organisations at strategic, business and operational levels with planned, regular meetings.

- Put succession planning in place as an objective for both management teams. The success of a partnership should not rest with a few key individuals.

- Providers should devote time to raising the morale of inherited staff as well as developing their skills.

- Clarify the different roles of client and contractor as an essential element of avoiding partnership tensions.

- Remember that actions count more than words – how you behave towards your partners will set the tone of the relationship more than any formal agreement.

- Co-locate transferred and retained staff where possible, so that better working relationships can develop and minor problems can be addressed as they arise.

- Don’t keep the wrong people on the client function – e.g. those who don’t want to transfer to the partnership or aren’t committed to the partnership.

- Develop understanding of each other’s objectives and concerns to sustain and renew trust.
chapter 3
features of well-managed contracts and partnerships

‘Our partnership works and it is worth the effort – it is the only way to change and improve. It is the way forward and the way to achieve step-change. A strategic alliance with clear roles and the minimum of bureaucracy is the way to achieve efficiency.’

Charlie Watson, Director of Environmental Services, Hertfordshire County Council

3.1 Delivering results

A well-managed partnership will deliver results in line with the objectives of the partners. In some of the partnerships we examined it is too early to determine the full extent of success. All of these projects have ambitious targets and appear to be progressing well towards delivering those objectives.

**Bedfordshire County Council/HBS**

HBS is contractually committed to deliver:

- A regional business centre to be established in Bedford.
- Customer contact centre for all services and other external work.
- SAP installation across all services.
- Investment of £7.8m in new IT, including SAP.
- £6.9 m to improve accommodation.
- Competitive support services to schools.
- Improved services to achieve upper quartile performance.

**Blackburn with Darwen Borough Council/Capita Group Plc**

Capita is contractually committed to deliver:

- A modern business centre in the centre of Blackburn which will be integral to the Council’s town centre regeneration programme (to be built by April 2003).
- Investment programmes for e-government and service improvement targets – aiming for all services to be in the top quartile (significant progress on service improvement has already been registered).
- Jobs for 500 additional people within five years (this target will have been met by Summer 2002).
- Local recruitment targets and employment diversity targets.
- Local purchasing targets for supplies and services.
- Profit share from new business.
- Fundamental best value review of the whole partnership every five years.
- Membership of the local strategic partnership.

**Caterham Barracks Village Trust/Linden Homes/Tandridge District Council**

This project has delivered:

- £2.5 million investment in community facilities.
- 400 new homes with related social infrastructure.
- Affordable housing.
- Community engagement in the development process.

Other community benefits include:

- Circa £1m for building refurbishment.
- Cricket green and pavilion.
- Discount of £250k against purchase price of a newly built Enterprise Centre.
- 5-year subsidy for a community bus.
- £100k to the education authority for non-statutory learning facilities
- £40k for local environmental improvements (for use by the District Council).
- Junior football field – 3 pitches.
- Rifle range and £100k towards Nature Reserve, Community Farm, BMX and Skateboard Park.
- Care capacity through the provision of a nursing home and children’s nursery.
- Heritage benefits through preservation of key buildings.

**Dudley Metropolitan Borough Council/Dudley Priority Health Trust/Norwich Union PPP Fund/Mill Group**

- £4m investment with PFI funding.
■ Local provision of a ‘one-stop’ shop for health and social services care.

■ Routine community health services e.g. health advice, mother and baby clinics, family planning and chiropody.

■ A public library.

■ A social work adult care assessment team.

■ Home care services.

■ Out-patient facilities for the local hospital trust.

■ Promotion of health care.

■ Bringing health and social services together in seamless provision.

■ Integrated packages of care.

■ Managed facilities to performance standards.

■ Community consultation.

■ Building was completed to time and to budget.

**Hertfordshire County Council/Mouchel**

■ Increase from 138 to 235 jobs from business expansion, primarily from increased HCC budget/work programme.

■ Early stages of development of total asset management of highways network, yet to be implemented.

■ Enhanced performance and achievement of all objectives re: time, money and quality.

■ Business Excellence Model adopted as objective measure.

■ Joint development of value for money solutions.

■ Better working relationships through team approach to solutions not problems.

■ Reduction in management and administration costs, including paperwork relating to claims and disputes.

■ Development of a ‘can do’ philosophy.

■ Improved management of the design in progress, including ‘fast tracking’.
London Borough of Islington/Cambridge Education Associates

- Improved performance substantially in one year.
- Special needs service moved into top 10% of national performers.
- Achieved high level of praise in Ofsted re-inspection.
- Planned improvement to achieve 13% increase in GCSE key stage 4 results over 2 years.
- Increased buy-back of support services from schools by £400k p.a.
- Accrued savings returned to the education budget.

London Borough of Islington/ITNET

- £1m a year savings.
- 85% reduction in backlog.
- One-stop advisory shop for claimants with difficult and complex cases.
- Installation of document management and workflow pilot in progress.
- Renegotiated contract with better measured and enforceable KPIs.

Lincolnshire County Council/HBS

- £5m a year savings on a previous budget of £28m.
- Regional Business Centre established in Lincoln.
- SAP installation across all services representing £8m investment.
- Overall investment of £37m.
- Additional work from Lincolnshire CC of £8m p.a.
- 500 new jobs to be created in first 5 years (milestone targets achieved to date).

Norfolk County Council/Capita Group Plc

- 14% savings over the life of the partnership.
- New business centre established in Norwich.
- Specification and procurement of new financial management system.
- Migration of some 4,000 users from the existing e-mail system to Microsoft® Exchange.
- Development of an e-government programme for the County, including the district councils and other public sector bodies.
- High levels of performance providing a reliable, consistent and stable service during this period of change.

3.2 Culture

The best partners will share cultural values and understand the other’s organisation, demonstrating a positive approach to relationship management.

In the Blackburn with Darwen Borough Council/Capita Group Plc partnership the Capita culture was so attractive that the council had formal appeals from staff who had been denied transfer under TUPE.

Commitment will be strong at all levels within both organisations and there will in general be cross-party support to ensure the health of the relationship which may potentially need to survive different administrations. Authorities and their private sector providers need to consider how they will adapt organisationally to the partnership before entering into the contract. The ethos of the partnership will need to be disseminated across both organisations and owned collectively if it is to achieve the benefits sought. Authorities need to challenge themselves on whether they have the capacity to manage partnership contracts and to identify the skills necessary to be effective partners.

A clear definition of how a partnership will work practically is considered helpful by both parties and such an agreement should be part of the contractual framework.

In the Dudley Metropolitan Borough Council/Dudley Priority Health Trust/Norwich Union PPP Fund/Mill Group partnership the initial reactions of staff on the public sector side was ‘This is OUR building, we should be the only ones to decide where the electrical sockets should be’. This demonstrates that promoting an understanding that the building actually belonged to a private sector partner and that decisions needed to be made together represented a significant change in culture for the staff. This has partially been tackled at the monthly meetings of the Facilities Management Group, by ensuring that staff issues (such as joint social outings, staff aromatherapy sessions, etc.) are given prominence so that staff may identify with the building as a good quality working environment, in spite of not having ownership of it any longer.

3.3 Communication

Effective communication is important in all relationships and particularly where it involves significant change – which is most certainly what a partnership brings. The initial dialogue between the potential partners may well set the tone of the relationship for the duration and careful thought should be given to this at the outset. Once the partnership is in place and the contract signed, the wider communication networks across both organisations – at all levels – must be addressed, so that both understanding of and identification with the partnership becomes part of the culture and ethos of the authority and its partner.
Establishing new relationships requires patience, listening, creating a climate of respect and trust and an alignment of goals and objectives so that both partners understand the mutual benefits that will ensue if partnership relationships are firmly established (Peters 1989: 278).

Honesty, trust and openness will be key features of a successful partnership which allows the partners to work together to achieve their objectives for mutual benefit, with the contractor delivering services for a profitable return and the authority and its citizens receiving value-for-money service delivery.

In Bedfordshire County Council/HBS a contact centre is being established to deliver front-end customer services. Staff are currently engaged in setting up the new business processes and scripting of the FAQ (Frequently Asked Questions) database, an activity which involves staff in the redesign of existing business processes to achieve speedy problem resolution. The contact centre is seen as the shop window of the partnership and will also have high visibility internally as a catalyst for further change.
The Hertfordshire County Council/Mouchel Partnering Agreement

**Vision**
- To be a world class model for the delivery of Public Services

**Mission**
- Working together for Hertfordshire’s Environment

**Objectives**
- To provide sustainable transport that responds to the needs of the community
- To seek continuous improvement and innovation in the delivery of a quality service
- To continually reduce costs and drive out inefficient activities
- To maximise resources available for transportation
- To realise the full potential of the staff
- To recognise the mutual benefit of Mouchel’s commercial success

**Core Values and Behaviours**
We commit to the following core values and behaviours:

**Mutual Trust and Respect**
- Seeking and valuing each other’s views and actions
- Relying on each other’s ability to deliver
- Celebrating each other’s success

**Open and Honest Communication**
- Early involvement
- Actively listening to and challenging each other
- Advocating each other’s views and actions

**Valuing our Differences**
- Accepting roles and each other’s decisions

**Highest Level of Professionalism and Propriety**
- Adhering to the need for public accountability (Nolan)
- Adopting codes of conduct
- Open-book accounting

**Innovation and Development of Services and People**
- Identifying and supporting new opportunities
- Encouraging ideas
- Involving and Influencing
- Investors in People
The new style contract in Hertfordshire will follow the same principles but will require three-party involvement – client, consultant and contractor – as opposed to the present two.

### 3.4 Consultation

Close attention needs to be given to ensuring effective consultation with stakeholders throughout the life of the partnership. Users of services need to be consulted on their level of satisfaction as well as their future needs.

In **Dudley Metropolitan Borough Council/Dudley Priority Health Trust/Norwich Union PPP Fund/Mill Group**, staff were closely involved in the development of the new building. Consultation events were held with the public during the development of the specification, contract negotiation and build phases.

In **Hertfordshire County Council/Mouchel**, Mouchel’s quality system provides extensive customer feedback from consultation, exhibitions and forums. There is joint consultation involving councillors, officers and representatives of local groups such as businesses and disabled people, to shape local plans and projects from major transportation plans to smaller traffic-calming schemes. Questionnaires are used to capture views on options.

In **Bedfordshire County Council/HBS**, users’ views are taken into account through annual customer-satisfaction surveys, collection of feedback and complaints, and from soundings taken of the Council’s retained managers which are subsequently fed back to HBS service delivery managers.

In the **Blackburn with Darwen Borough Council/Capita Group Plc** partnership, the partnership will use customer satisfaction surveys, which will be written and produced for Capita but will include council identification. The partners are considering how to further enhance customer community consultation on the performance and development of the partnership.

### 3.5 Staff

Concerns about the so-called two-tier workforce, a political ‘hot potato’, did not come to the fore in the interviews we conducted. In general, staff accepted the fact that new recruits would be on different terms and conditions.

In **Blackburn with Darwen’s** partnership with Capita Group plc, staff understood the value of the business centre being built in their area and the potential for job creation. There were also many perceived benefits working for Capita in terms of future career prospects that would not have been open to them had they stayed with the council. As productivity in the transferred services is improved Capita can offer alternative employment opportunities in the same location. Staff also benefit from Capita’s share save scheme.

In **Lincolnshire County Council/HBS**, there was a survey of staff attitudes before the start of the contract and this will soon be repeated, approximately two years after the first survey. The partners regard the result as a measure of success of the change management process and recommend that other authorities consider gathering such baseline data before starting any procurement, in order to enable the effective measurement of change in the new environment.
3.6 Performance management and quality

In a well-managed partnership, performance monitoring will be managed jointly and the contractual framework will be designed for the achievement of policy outcomes, the delivery of which may not be under the total direct control of the contractor. This will lead to the sharing of risk and responsibility.

There are some concerns that partnering contracts start off with an excessive reliance on a large number of key performance indicators and complex monitoring schemes. This can skew the delivering partner’s focus more towards influencing the parameters of the scheme rather than performing well within it.

It has been argued that the incentives schemes which work best are the simple ones – say, a straightforward 50:50 split of any improvement over an agreed baseline (Kay 1993). However, such splits should reflect local circumstances and be related to the risk borne by the parties.

In Dudley Metropolitan Borough Council/Dudley Priority Health Trust/Norwich Union PPP Fund/Mill Group the payment mechanism is based on a points system relating to service availability and how well the tasks are performed within the service level agreement. Staff report performance data on a monthly basis. Payments are not made while there are problems outstanding. So far the facility management has earned maximum payments, on time, for its performance.

In the Blackburn with Darwen Borough Council/Capita Group Plc partnership, an ‘achievement over budget’ sharing scheme is in place where the council receive a percentage of the additional profit that Capita makes on the contract. When Capita brings additional new business into the contract from other organisations, the council benefits from a percentage of that additional profit also.

In Lincolnshire County Council’s contract with HBS there is a system of performance credits for service delivery. The Council wanted an approach that would resolve problems rather than simply provide financial compensation. Hence an entitlement was established to deduct amounts from the monthly fee if the service standards are not met, with the joint management board agreeing a solution to the problems that may have caused the difficulty.

Contractors tend to be monitored more closely than internal service providers, not because such intensity is proven to be necessary but because it provides the authority with contractual safeguards. There is a tendency in some authorities towards over-monitoring, the additional costs incurred representing a council’s accountability premium but adding no value in terms of improving the behaviour of the service provider.

There is a cost attached to monitoring service delivery performance. Theory suggests it is easier and therefore less costly to monitor an in-house operation than an external supplier. The argument, from principal-agent theory, is that the employer, by virtue of monitoring many inputs, acquires special and superior information about their productive talents (Alchian and Demsetz 1972). However, one could argue that this misses the point. Performance monitoring is about evaluating outputs or outcomes rather than inputs, and there is nothing in the theory that would explain why it is easier to monitor the output of an ‘arms-length’ employee (e.g. in a direct service organisation) than that of an externalised partner. The debate about the relative ‘transaction costs’ of in-house and outsourced production (Williamson 1975: Walsh 1995) centres on such factors as the levels of trust between partners, the scope for opportunistic
behaviour, the level of competition in the market place, the complexity of the service specification, the likely frequency of variations in the specification, and the extent to which assets necessary to the service are specific to the client (as opposed to being available for use in serving other customers, thus reducing their cost of provision).

Objective appraisal of partnership effectiveness by use of an agreed methodology can increase the accountability of joint management of the relationship, while assuring the stakeholders of the progressive search for continuous improvement. HBS has adopted the EFQM Excellence Model for measuring the effectiveness of all its partnerships and will use the model to measure continuous improvement and the impact on users, staff and society. It was through the creative use of the model as part of a strategic public/private partnership procurement process that HBS realised the benefits of such an approach.

In some partnerships the quality of processes was maintained by rigorous checking. In general, however, most have not moved towards a formal accreditation scheme, such as EFQM, to achieve an overall objective appraisal of the impact of the services and the performance of the partnership.

Most of the partnerships we visited have a ‘slim client’ and rely heavily on the provider for data. While they regarded this as appropriate, and successful to date, authorities need to ensure that contractors are providing accurate performance data that can be substantiated for an audit. Excessive performance monitoring, however, was seen as a deterrent to effective performance management and several of the partnerships we visited were revising their performance reporting regimes in the light of experience.

**Cambridge Education Associates** at Islington had in excess of 400 PIs at the start of the contract and these are now under review, with the likelihood that more meaningful and effective measures, in smaller number, will produce management reporting that inform the client of the outcomes being achieved.

‘**Have the right PIs that are critical to the success of the service and a proactive and knowledgeable client who can understand and analyse the performance data.**’

*Nick Sharman, Director of Operations, London Development Agency*

KPIs structured in line with the partnership communication structures – high level indicators at Board level, with lower level indicators at operational level – may provide a better way of measuring the effectiveness of a partnership. Operational indicators would support the strategic level indicators and the result would be more useful for managing outcomes.

Since 1997, in **Hertfordshire County Council/Mouchel**, the partnership has been seeking to measure ‘outcomes’, which is not as easy as it may seem with a consultancy service. The goal for the next generation arrangement is for outcome measures to be an integral feature of the computerised management system, with the County conducting quality checks. The aspiration for the new contract is as follows:

The IT system for asset management of the highway network will be linked as part of a sophisticated network inventory to the budget. Resources will be allocated on the basis of the overall state of the network as all data and knowledge will be contained within one managed system. Contractors are required to feed information into the central IT system. They will not be paid unless they do so. The County has used the Business Excellence Model for assessing the current partnership against the criteria and has also used it to
test differences in the approach of the private sector partner and the County in how the business is addressed. This technique is considered to be more powerful than a SWOT analysis and provides focus on the agenda for change for more effective partnership working and is likely to feature in the future.

Performance indicators are an issue in many partnerships as they do not enable adequate measurement of customer satisfaction or outcomes. In general, the public sector is now used to KPIs, but the real issues of using them to manage performance needs further development. Performance management regimes have evolved, through CCT, based on indicators that in-house business units historically thought were useful – or simply measurable. For example in IT, indicators tend to measure how fast something is done rather than the end-to-end service to the front-line. Getting the performance criteria right is crucial. If the criteria in a contract are wrong, it can be difficult to change them without cost, as the partner will have bid on that basis. Simply stated, performance indicators should be chosen such that their measurement adds value to the services they are being used to monitor, enabling improvement to be achieved.

‘Authorities need to be realistic about continuous improvement and associated costs. There cannot always be savings if performance is the focus.’

Nicola Mark, Head of Client Support Services, Norfolk County Council

3.7 Payment mechanisms and incentives

Well-managed partnerships will meet performance targets and price objectives; they will feature performance incentives and payments linked to the delivery of outcomes for citizens. It is also important to remember that in most areas of service delivery there will be an extent to which both parties contribute to performance. This should be taken into account when designing the payment mechanism and incentive regime.

In Bedfordshire County Council/HBS the payment mechanism is based on the achievement of specified levels of performance and, to a lesser extent, the availability of services. Failure to achieve the specified level of performance for any KPI can lead to a reduction in the monthly payment. The amount of the reduction increases in line with the severity of the failure. If any part of a service is deemed to be unavailable as defined contractually, reductions can also be made. The overall reduction in any month is subject to capping. The mechanism is dependent on the information provided by HBS. There is no bonus for over-performance. HBS would like to explore a system of Attributable Performance Indicators as they are keen to add clarity to the different contributions which partners make to performance.

In Blackburn with Darwen Borough Council/Capita Group Plc payment for services is based on 200 KPIs and failure to achieve a performance standard can result in partial non-payment.

In Lincolnshire County Council’s contract with HBS payment for services is made on the volume of services used, following the establishment of the base price in year one and the unit costs. Incentives work on the basis of shared reward for better than expected performance. Where either party identifies ways to improve the value of the partnership, the benefits are shared. There is also profit share from new business brought into the regional business centre in Lincoln and the authority will receive 20% on net profits over the life of the partnership. There are no KPIs relating to customer satisfaction, although discussions are taking place to see how this could be achieved. In the meantime, satisfaction is measured through surveys, a complaints log and direct feedback to the Contract Management Group.
CHAPTER 1
PARTNERSHIPS

- Ensure funding is available for the procurement process.
- Build up the in-house capacity for dealing with new ways of delivering services.
- Involve members and users in procurement, in service definition and bid evaluation – ‘ownership’ is essential.
- Ensure that evaluation of partnership potential is undertaken by both parties as part of the ‘due diligence’ process. Understand that selecting a partner is a two-way process.
- Link customer satisfaction indicators to the payment mechanism in order to assure focus on outcomes.
- Include the structures for partnership relationships and governance in the legal agreement.
- Make an early start on planning to ensure that the skills and competencies that are required to procure and develop a strategic partnership will be available.
- Be clear what ICT and other assets you have when you start to procure a partnership. Create an asset register.
- Don’t be too prescriptive about what you want from a prospective partner as you may stifle innovative responses. Instead, communicate the outcomes and standards you want and discuss how these might be achieved.
- Provide realistic estimates regarding the need for consultancy support and the related fees. Take expert advice early, but use it sparingly: a little good advice can go a long way.
- Assign roles for the officers and members in the procurement process and ensure full commitment from the chief executive and the leader to complete the project successfully.
- Understand what drives your potential partner.
- Take a realistic approach to defining risk and reward sharing arrangements.
- Involve stakeholders throughout the process.
- Understand the current budget and cost of the services before procurement to ensure clarity for the financial evaluation. Perform a baseline review of all included services, identifying current performance levels and associated costs.
Plan the project rigorously, keeping the same team together throughout the process if possible. Different skills may be needed at different stages, but continuity of key staff is essential.

Manage risk – create a risk register, value risk and manage them according to a risk management plan.

Ensure a rigorous process for project review, incorporating a health check on status at regular intervals.

CHAPTER 2
THE STRUCTURE FOR PARTNERSHIP RELATIONSHIPS

Regard client and relationship management as potentially new career opportunities – identify and develop the necessary skills in the staff involved.

Put in place partnership structures across the two organisations at strategic, business and operational levels with planned, regular meetings.

Put succession planning in place as an objective for both management teams. The success of a partnership should not rest with a few key individuals.

Providers should devote time to raising the morale of inherited staff as well as developing their skills.

Clarify the different roles of client and contractor as an essential element of avoiding partnership tensions.

Remember that actions count more than words – how you behave towards your partners will set the tone of the relationship more than any formal agreement.

Co-locate transferred and retained staff where possible, so that better working relationships can develop and minor problems can be addressed as they arise.

Don’t keep the wrong people on the client function – e.g. those who don’t want to transfer to the partnership or aren’t committed to the partnership.

Develop understanding of each other’s objectives and concerns to sustain and renew trust.
CHAPTER 3
FEATURES OF WELL-MANAGED CONTRACTS AND PARTNERSHIPS

A split between a management fee and the funding of the service to be managed may be the most acceptable arrangement for socially sensitive services such as education.

Adverse public relations for one element of a generally successful contract can be damaging politically and commercially and should not be underestimated.

Local government needs to learn how to be a client and let go of being the provider once they have entered into a partnership.

Partnership management should not be vested in key individuals but be part of the planned structure for the contract.

The corporate client needs to be supported by knowledgeable departmental clients with a sound understanding of the business and the current management and policy agenda.

There should be an effective exit strategy and renewal mechanisms in place.

Keep sufficient funding capacity in the client function to supplement the skills retained internally with external consultancy advice.

A clearly defined risk management policy should exist, aligned to both partners’ objectives and supported by elected members.

Effective communication remains as important after contract signature as before with an emphasis on change management issues from both the human resource and cultural perspective.
CHAPTER 4
CULTURAL CHANGE

You will need to change your organisational culture – or ‘cultures’, if (as is likely) your authority has more than one. Cultural change is necessary for both partners when entering into a partnership.

Learn to focus on outputs and outcomes and the service being delivered and take a hands-off approach to operational delivery.

Understand that the local authority’s role in being a good client is as important as that of the contractor. Each has to play its part and actively contribute to making the partnership work. Continuous improvement in commissioning and monitoring by the client is as much an attribute of successful partnerships as continuous improvement in service delivery by the contractor.

Take a non-adversarial approach at all levels. You will sink or swim together.

Encourage your partner to allow their special expertise to be made available to the authority – this is what a partnership relationship entails. At the same time, do not unreasonably deny your partner access to the specialist expertise in your organisation.

Assume the relationship is about improving the services, and is therefore always changing, rather than monitoring to a fixed specification. This means that both sides have to be imaginative – and flexible.
Externalising a problem without acknowledging it is potentially a serious issue. Service providers need to be given incentives to solve difficult problems, but without an assured minimum income the risk may be considered too high. A balance needs to be struck to achieve service rectification in a failing or underperforming service and both parties need to work together to achieve improvements. Payment criteria can be modified once service improvements have been brought about, provided the contract is flexible enough to enable this.

‘By creating a payment model that has the right incentives, the interaction between different areas of the service need to be understood and the result may well often be a complex incentive scheme – with more complex monitoring.’

Andy Jennings, Director of Housing, London Borough of Islington

In Islington’s contract with Cambridge Education Associates the contract payment mechanism is designed as a management fee which can be maximised for achieving the agreed targets (although in effect, the targets were imposed by DfES with no realistic prospect for achievement in the first two years). The fee is linked to both the way CEA performs and to the levels of achievement by schools and pupils (in terms of GCSE results). Any savings in these payments to CEA go back into the education service.

As the CEA contract demonstrates, the concept that the private sector can change things completely overnight is unrealistic and improvements need time. Consequently political aspirations have to be managed to an agreed plan.

Other aspects of the incentives that may need to be addressed in longer-term contracts may include:

- The ability to continue to make a reasonable return.
- Incentives for the authority to help the private sector partner do better – e.g. a profit share from new business.
- Outcome specifications to minimise restrictions on process, giving the contractor greater freedom to innovate.
- Avoiding the specification of inputs, such as the number of phone rings before answering; instead focusing on a commensurate output measure.
- Allowing time for the partners to discuss and negotiate change so that mature debate will allow for fresh thinking.
- Providing the ability to extend the length and scope of the contract.
- Allowing, where possible, for the contractor’s staff to exercise professional judgements and discretion.

3.8 Risk management

All service delivery activities carry risk and it is a feature of a well-managed partnership that risk is carefully managed throughout the lifetime of the contract. Commercial contracts will contain information describing
how risk is allocated and/or shared and ought to refer to a risk register which will identify risks and which party is responsible for managing each risk. Risks may be shared but ultimately, business risk cannot be transferred. In the event of failure, the authority is still responsible for the delivery of the service in accordance with its statutory function.

Simple procedures can be prepared to assess and manage risks at each stage of the project and compiled in the Risk Management Plan. Thus each risk will be identified and registered and will have an ‘owner’ allocated to the responsibility of managing it. Overall risk management is the responsibility of the partnership management and risk performance should be reported regularly at both the operational and strategic board.

The plan will encompass all occurrences of risk – commercial, legal and financial – as well as the more familiar issues of assuring health and safety in the workplace. Effective risk management will make the single, most significant contribution to the success of most projects, ensuring that costs and delays are kept to a minimum and that value for money solutions are obtained. Failure to take risk management seriously in even the smallest projects is likely to result in runaway costs and schedule overruns. In large, high-value, long-term projects, it is simply irresponsible.

It is important to recognise that the risk profile of a project will change during its lifetime. Individual risk may have high impact at the beginning and disappear later on (e.g. getting the foundations right on a new building). New risk will be identified as the project matures.

Over a long-term contract of 10-20 years, exceptional events can occur causing additional cost, the need to invest additional management time, customer and stakeholder complaints and, in extremis, political difficulties. Procedures for dealing with such events should be agreed by the partners and contained within the contract.

Achieving the clarity of risk management responsibility that the partners require rarely occurs before the authority has concluded negotiations with its preferred bidder, due to the iterative nature of the process. This means that throughout the procurement process, the authority and its various prospective partners will not have a common basis of risk management responsibility upon which bids are based and received. This can create problems of evaluation for authorities as they may be in the position of comparing ‘chalk with cheese’ causing uncertainty for bidders as they make financial and operational assumptions. Furthermore, authorities often have a poor understanding of the nature and value of the risks they are currently managing, which may be transferred to the private sector or partnership.

Some risks identified by local authority officers include:

- The danger of being out-witted in within-contract negotiations.
- Being ‘locked in’ to a particular supplier’s systems and methods.
- The consequential difficulties and costs of a contractor failing (the authority having to ‘step in’ to discharge its statutory duties and having, perhaps, to re-let the contract involving advertisement costs, legal fees etc).
Information asymmetry over time leading to loss of influence and control;

The authority getting a comparatively worse deal as other providers bring better technologies and methods on stream elsewhere.

Lack of local authority expertise to ‘second guess’ the contractor’s view.

The contractor not understanding the accountability requirements of the authority.

The contractor shifting the better staff to other contracts.

The danger that the commercial ethos of the provider will take precedence over the ‘public sector ethos’ of the authority.

As partnerships become more common, two important issues are whether individual authorities have the procurement skills and capacity needed to arrive at a satisfactory risk management agreement and whether a risk management template could be developed for commonly-contracted service areas. These and other issues were discussed as part of Sir Ian Byatt’s Review of Local Government Procurement (2001) and the Government’s response to the his recommendations is imminent at the time of writing.

The specific circumstances of particular contracts will affect the final and detailed placement of risk between the parties. Once the risks have been allocated, they typically form an immovable part of the contract and the private sector partner will be asked by the authority to submit its ‘best and final offer’ (BAFO) on that basis.

Not only is a reasonable and agreed allocation of risk crucial to the cost of the contract, (the private sector partner will put a price on each risk and take this into account in their ‘BAFO’), it is also vital to the state of the continuing relationship between the parties. A poorly-constructed risk allocation may lead to disagreement between the partners during the contract term or poor value for money for the authority if it has not properly valued the risks that it transfers. Getting it right at the start is especially important on long-term, high-value partnership contracts, where the concentrated effort involved in doing so is likely to amount to far less than the time and trouble in putting things right once the partnership is underway.

Long contract length and wide contract scope exacerbate information asymmetries and could put at risk the capacity to commission alternative providers at the stage of eventual contract re-letting. Similarly, enjoyment of profit-share and other commercially-won benefits by authorities can create a form of lock-in whereby the financial impact of moving to another supplier at the end of the term would be detrimental. Consequently the impact of whole-life costs and benefits needs to be appraised to ensure that the total value of the partnership is fully understood.

Private sector partners need to understand and share not only councils’ aspirations for service standards but also the accountability requirements that on occasion set imperatives and expectations that cannot simply be framed in terms of contractual obligations and penalties. This is one element of risk-sharing in partnerships that can often go unnoticed until it becomes an unavoidable issue. (Joseph et al. 2000:67)
In the London Borough of Islington/Cambridge Education Associates partnership variations in the contract are at CEA’s risk, except for major education legislation, so smoothing the contract price and predictability of cost for LB Islington. The company was confident that they could improve performance as there was considerable scope for savings through efficiency measures and more effective management. These savings could then be ploughed back into the education service.

‘Contractors need a base income and reliability of payment or the risk is too high. Whereas the client needs performance linked to payment. A balance needs to be struck.’
Andy Jennings, Director of Housing, London Borough of Islington

In Blackburn with Darwen Borough Council/Capita Group Plc partnership, the 5-year review leaves service performance risk with Capita contractually, as they are committed to achieving the top quartile and remaining there. There is shared responsibility to achieve the high levels of performance before this condition kicks in.

In Norfolk County Council/Capita Group Plc, risk management is being developed as a skill in the county, encouraged by the engagement in the partnership but is still not fully mature. PRINCE 2 is used as the formal process on projects and programme management.

- Risks should be allocated between the public and private sector to the party best able to manage them to ensure best value for money (DETR 1998).

- Risk sharing is a well-tested way of dealing with major risk which neither party can control, and this could be particularly relevant within innovative contracts (CIPFA 1999).

- There must be realism and a sound understanding that if contracts become unprofitable for whatever reason, contractors will try to manage the situation so that they reduce their cost or increase their income.

- All staff can contribute to minimising risk, but in order to be effective, good quality data must be made widely available and reviewed regularly.

Clearly, risk minimisation has a long way to go, even in the leading-edge partnerships that we studied.
3.9 Innovation

Partnerships need to provide the opportunity for innovation, with the partners collaborating to deliver the outcomes and strategic goals of the authority. Incentives in the contract need to be structured to support innovative approaches from both partners. Innovation is a key factor, which can contribute to improved value for money and higher service quality.

The style of the relationship impacts on the outcomes. The best results can be achieved by greater cooperation and the development of trust and respect between the authority and the private sector partner. The diagram above, developed by the Serco Institute, and drawing on the work of Tony Ledrum on supplier relationships (1998), illustrates the impact of trust and respect between public and private sector partners and the impact on increased value generated as a result and fed back into the community.

Management innovation can also be an important factor in transforming service. In the **Islington/CEA** partnership, the staff who transferred to CEA have quickly shown that they are more than capable of delivering a greatly improved service. The repeat Ofsted visit, less than 10 months into the contract, showed that CEA had ‘to a remarkable extent successfully accomplished their task. A capable team moving forward and engendering the confidence that was needed to raise expectations on all fronts. All the signs are that the contractor is providing better value for money...’ (Quote from Ofsted report.)

The new Director of Schools Services had realised that one of his primary tasks was to motivate and direct the staff who transferred to CEA. The workforce was demoralised and self-image was poor.

‘*We convinced the staff that they were part of the solution, not part of the problem and established a very open relationship with them and discussed all the things we could do for the service.*’

Vincent McDonnell, Director of Schools Services, Cambridge Education Associates

3.10 Flexibility, outcomes and Best Value

Value for money should be demonstrable through the achievement of performance targets and by reasonable access to open-book information on the partner’s costs for delivery. Open-book provides a basis for negotiating change, for benchmarking and for providing the means to demonstrate Best Value. But can an authority get clear information about true cost? There are difficulties in how all organisations – public and private alike – allocate overheads and take profits or surpluses to their accounts and it is therefore essential that a clear and auditable statement of how those elements will be costed appears in both the initial proposals and in the final contract and that it is tested during evaluation.

In the **London Borough of Islington** Housing Benefit contract, where open-book did not exist, the contract encountered difficulties, not least because the initial service contract was under-resourced.
introduced open-book for new project work and to assist in some renegotiation with LB Islington for bringing the base contract up to upper quartile performance.

How can best value in a contract be maintained over time? There are concerns voiced generally about the lengthening of service-supply partnering contracts, with 10-15 years becoming the norm. As local authority capital controls are eased under the proposed prudential regime, it may be possible to develop arrangements whereby the council, when called upon, provides the capital investment for the partner within defined parameters and the partner pays for its use. It may not then be necessary to stay with one partner just because capital investment locked the parties into a long deal. This might increase the council’s negotiating strength if it wanted to change a partnership (as is common in PFI contracts) or vary the partnership contents. Alternatively the PFI solution, which allows the private sector funder to replace a failing service provider, could also be effective.

In a true partnership, the benefits will develop over time. Some partnerships deliver benefits more quickly than could have been envisaged at the start of the contract. CEA’s partnership with Islington has moved the service from being one of the worst performing LEAs in the country to the top 25% in one year. In some services – meeting special needs, for example – the service is now in the top 10%. CEA regards Islington as an ‘intelligent’ client; one that is prepared to work flexibly and constructively to enable CEA to make the contract work better. In addition, the company has provided other initiatives which are not included in the contract – e.g. promoting music schools on Saturday mornings to provide opportunities for children who may shine in different ways.

In Bedfordshire County Council/HBS, throughout the period of the contract, both the Council and HBS are expected to come forward with proposals for change as a result of benchmarking, market innovation, good industry practice and stakeholder input. This is formalised in schedules to the contract dealing with best value and continuous service improvement. Improvement targets are in place and will be reviewed and rolled forward annually. A set of high-level performance indicators focusing on the overall health of the partnership and its progress are being developed. These will be reported to the Board and the Executive. In time, this process may be translated into a Balanced Scorecard model.

In Blackburn with Darwen Borough Council/Capita Group Plc, the partnership is for a duration of 15 years and will be subject to a fundamental best value review every five years. The reviews will be of the whole partnership and not the individual elements. The Council recognises that the partnership objectives have a value in themselves and this will be taken into account in the reviews. The process provides for external benchmarking. Capita is committed to achieving upper quartile standards and maintaining them for the life of the contract.

Savas (1987) states that unless the contract is monitored and administered well, there is a long-term danger that the competitive factor will be weakened and the contract service will degenerate into a private monopoly, which would be no improvement over a public one.

To avoid such disadvantages, all contracts must provide for benchmarking, both in terms of price and quality, and regular best value reviews, along with appropriate remedial action should value for money start to be lessened. Open-book accounting practices will help to ensure that both parties remain confident that the information being supplied will be comparable with best-in-class. Open-book can also give greater
understanding of the private sector partner’s cost drivers and the impact on profitability of changes in requirement or other actions taken by the authority. Authorities and their partners must accept that service delivery must reflect the requirements of citizens, and that the future is changeable and unpredictable. Arrangements must be flexible in order for services to remain relevant over time. Contractual provision of a change mechanism should provide a means to address the longer-term change agenda.

Circumstances will change and new developments occur which may impose strains on the relationship. It may take a long time to build trust but far less to destroy it. As long as the pay-offs to the relationship are perceived to be stable or growing, there will be an incentive to sustain it. But if the pay-offs for one of the partners have declined, the relationship may be put at risk. (Domberger 1989:208) The incidence of vandalism at the joint services facility provided by Dudley Metropolitan Borough Council/Dudley Priority Health Trust/Norwich Union PPP Fund/Mill Group is currently testing the strength of the partnership relationship, since the unexpectedly high (and expensive) level of vandalism has clearly eaten into the returns to the private sector.

Partnerships need the flexibility and scope to embrace:

- New technological innovations
- Operational improvements
- New legislation
- Developments in design and quality standards
- The changing nature of public sector procurement

(Working Together 2001)

In Hertfordshire County Council’s new contract specification, effective from 2002, the performance review process has been strengthened to add greater capability and motivational impetus for the partner. Performance review will start in year one and will be linked to contract extensions from year three. (The contract can be extended to a maximum of 10 years.) To make the review process even more effective, the review will be assessed against a relatively small number of key performance indicators. These indicators will form the basis by which continuous improvement is assessed.
3.11 How do you stop things going wrong?

Discuss with your partner as part of the negotiations how you will address this, as it is in both parties' interest to have a sound understanding of where the pitfalls are and how they can best be avoided. Some things to consider:

- You need to have accurate baseline data and current service levels to align expectations about service improvement.
- You must have timely and open monitoring of performance.
- Check regularly with service users to ensure delivery is meeting the right satisfaction levels.
- Ensure the reporting of performance and partnership information is reaching the right levels in the organisation for an early warning alert before things get out of hand.
- Own problems jointly and discuss how they will be resolved – this is the real test of partnership. Can you resolve a problem and retain the good-will and trust with which you started?
- Deal with problems and issues in an open-minded way and avoid blame.

Sometimes, something as simple as a well-established relationship between the authority and the partner at a senior level can be enough to deal with a problem swiftly and without recourse to formal dispute mechanisms. However, this should not be relied on, and formal mechanisms are essential for ensuring there is clarity about how and when issues are resolved. All the partnerships we visited had invested time and effort in establishing clarity on targets, performance measurement, procedures for penalties, mechanisms for dispute resolution and exit strategies.

A good partnership relationship is one where both sides are open, share information fully and work together to solve problems (National Audit Office 2001).

3.12 Problem resolution

Problems will occur and will need to be resolved. They may be simple things, which can be resolved easily on a one-to-one basis at the operational level, or they can be more serious, such as service failure or lack of development to meet key objectives for the partnership.

There needs to be good communication and effective mechanisms for conflict resolution. Problems need to be resolved at the lowest possible level, in the least adversarial way. Procedures need to be in place to ensure that matters are resolved where possible before they become disputes. The cause of the problem should also be articulated without subscribing to a blame culture, so that lessons can be learned for the future.

Overly prescriptive methods of dealing with problems that penalise immediately rather than openly discuss remedies will not help to develop the partnership. Clarity over the process of monitoring the success of the
partnership is fundamental so that early recognition that things are going wrong is flagged up at a senior level.

The lack of an intelligent client structure for early identification of service problems was highlighted in the **London Borough of Islington/ITNET** Housing Benefit contract and needed to be addressed before the client and contractor were able to start improving the service.

A change in attitude can be important when a contract has hit serious difficulties and the problems have largely been resolved. As Rita Lally, Assistant Director, LB Islington, said: *‘If you are always looking back it means you have never got your eye on the horizon and the future. You won’t be able to understand what is good and what to aim for.’*

For any company, a contract will remain important for its reputation; reputation is everything and delivering on promises is critical to market reputation. The discipline to perform is generally greater than that of a local authority.

Partners need to review their relationship on a regular basis and make an assessment of how it can be improved and maintained. This should be carried out at the most senior level at least annually to ensure that the partnership stays at its most effective and relevant.

But at times all relationships have their difficulties. One of the most frequently asked questions in discussions around the principles and practice of partnering is *‘what happens when differences between the parties are not resolved?’*

All contracts will have their problems, and the sooner these are addressed in a non-adversarial way, the more likely it is that the partnership can get back on track with no damage to the longer-term relationship. Sometimes it is helpful to have external support to resolve such difficulties before the formal dispute resolution and arbitration procedures start to bite.

Whether the partnering deal is a long-term service provision contract or a partnership for delivering capital works, the parties are at their most vulnerable, and indeed most sceptical, when beginning to form the agreements.

Provisions for the rapid escalation of differences to a high level of management go someway to resolve many of the day-to-day issues, particularly early on in the life of the agreement. Nonetheless, the prospect of changes in the business environment or changes in the client’s needs that were not envisaged in forming the agreement causes great concern. Much of the worry can be resolved if the parties can be confident that a sympathetic forum can be created where an understanding of the principles of partnering goes alongside effective dispute resolution.

Mediation can be the key to avoiding disputes and at the same time give comfort at the stage of forming the agreement. Some third party companies are now providing a mediation service specifically designed to serve dispute resolution in a partnering environment.
3.13 LEARNING POINTS FOR LOCAL AUTHORITIES

- A split between a management fee and the funding of the service to be managed may be the most acceptable arrangement for socially sensitive services such as education.

- Adverse public relations for one element of a generally successful contract can be damaging politically and commercially and should not be underestimated.

- Local government needs to learn how to be a client and let go of being the provider once they have entered into a partnership.

- Partnership management should not be vested in key individuals but be part of the planned structure for the contract.

- The corporate client needs to be supported by knowledgeable departmental clients with a sound understanding of the business and the current management and policy agenda.

- There should be an effective exit strategy and renewal mechanisms in place.

- Keep sufficient funding capacity in the client function to supplement the skills retained internally with external consultancy advice.

- A clearly defined risk management policy should exist, aligned to both partners’ objectives and supported by elected members.

- Effective communication remains as important after contract signature as before with an emphasis on change management issues from both the human resource and cultural perspective.
chapter 4

cultural change

‘When a contract is externalised, hearts and minds have to be brought on board and the culture change needs to be recognised if the improvements clients want are to be effected.’
Lynne Stradling, Director of Revenues and Benefits, ITNET

4.1 Management skills and leadership

Effective leadership is essential for success. Partnerships require new ways of working and not all employees will necessarily be enthusiastic. Leadership skills can encourage people towards new working arrangements and, over time, generate the ownership that is necessary for continuing success. The culture of an organisation is greatly influenced by senior staff and the commitment of the high level management, including leading members, can create the right working climate for partnership working.

‘All the considerable effort and resources we put into procuring a strategic partner is now resulting in some impressive and immediate benefits. The challenge we now face in the County is to get in place a new culture and new working methods which will maximise those benefits and give real meaning to a ‘modern local authority’.’
Dick Wilkinson, Chief Executive (Designate), Bedfordshire County Council

Change is one of the greatest demands on leadership and the scale of the challenge should not be underestimated. Leadership is also a team challenge as authorities are complex and, by their nature, multi-faceted. No one individual can make all the decisions or enlist the cohort of the organisation behind major change initiatives.

In all the partnerships we visited, the councils’ Chief Executives were actively engaged in the strategic vehicle for the partnership whereas members were engaged in the vehicle depending on the culture of the authority. What has become clear is that partnerships need strategic visionaries at the helm.

‘Champions of change need to energise the rest of the authority to remove roadblocks and to facilitate partnership development, celebrate successes and create a new climate.’
David Bowles, Chief Executive Lincolnshire County Council

In Norfolk County Council/Capita Group Plc, the Council’s Chief Executive and Leader briefed their staff on the change programme for the partnership and for the e-government pathfinder initiatives. This influenced the lower tiers of management to continue developing the change agenda and staff generally are encouraged to use the partnership to meet customer needs.

Change can be influenced by the effective melding of local opinions into a cohesive group, motivated by the influence of those charged with delivering the result. In the Caterham Barracks Village project, once planning consent had been obtained along with a significant amount of funding associated with the S106 agreement – £2.5 million for community facilities – a ‘Way Forward’ group was set up with a local politician as Chair. This group was responsible for developing community aspects of the site. There were 24 local residents on the group which included two councillors. The group formed sub-groups to address specific areas for development – education, health, etc. – and researched potential projects for the developer to consider. Different pressures from the various interests represented by individuals were considered to be a reflection of the interest of the community at large. The
subsequent community developments have been widely welcomed in the locality, and much further afield.

Relational-style contracts require a high level of input resulting in an increased work-load for the leadership and senior management of the authority. Major contracts must have representation at the most senior level and at other levels in both partner organisations.

‘The partners are very important to one another and each has to play their part. There needs to be an acceptance of the culture of each organisation. I am very clear about what I expect from a partner council – and I expect them to be clear about what they want from us.’
John Jasper, Group Chief Executive, HBS

In the Blackburn with Darwen Borough Council/Capita Group Plc partnership the Chief Executive, Leader, and Executive Director regularly brief staff and other elected members within the council through newsletters and face-to-face briefings. The Capita contract manager has a similar process for the staff directly employed in the partnership. The Executive Chairman of Capita and other senior directors visit the partnership on occasions to demonstrate their commitment to the development of the partnership. The authority has been awarded a three-star excellent rating from the Best Value Inspectorate for its corporate policy, strategy and communication functions. The inspectors commented positively on the strategic leadership of the council, which was exemplified in the 15-year partnership with Capita.

4.2 Capacity retention

As more partnerships embrace multi-functional contracts, the capacity of the client to have sufficient knowledge to be able to challenge or test the advice provided by the private sector partner becomes diminished and could call into question the robustness of the client. While it may be possible to provide external third party expertise in the form of bought-in consultancy, specialist knowledge is to some extent externalised into the partnership. Trust, and the extent to which both partners are able to feel that trust is sufficient in such scenarios is a matter for discussion and review as the strategic partnership matures.

A contractor in such situations needs to provide complete information to users, and across the council as a whole, on the rationale behind all recommendations which involve significant change. The contractor also has to be capable of recognising issues, problems and schemes that will be in the best interest of the community, regardless of the contractual arrangements.

In Lincolnshire County Council/HBS, the client departments had some concerns that due to the speed of transfer (the deal was moved forward 6 months at short notice by the elected members) there was a loss of knowledgeable staff to the partner. This created a gap in the organisation once transfer had taken place and created difficulties at the beginning of the contract. Intellectual capital was transferred to HBS and some of the key individuals assisted HBS in acquiring new work away from Lincolnshire.

‘There was a considerable learning experience for those left behind and an impact on grades as additional skills had to be acquired speedily as higher-skilled tasks were taken on.’
Terry First, Highways and Planning Finance, Lincolnshire County Council
In the Bedfordshire County Council/HBS partnership, the learning from the earlier SAP implementation at Lincolnshire has been taken on board and there will be a period of two years before going live with the new system to allow time for the relationship to develop and priorities to be assessed before the complete redesign. In the interim, 10 schools will pilot the use of SAP as an integrated solution and these represent a range of educational establishments.

In the Norfolk County Council/Capita Group Plc partnership, the client has recognised that there are problems retaining sufficient expertise in ICT and has therefore chosen to access these skills from Capita. Additionally, the council uses a third party consultancy to help its evaluation of Capita’s proposals.

‘There is a need for continuity of staff on a long-running project. Key staff changes can be very destructive to relationships and to keeping the programme on time for delivery.’
John Boyle, Senior Project Officer Social Services, Dudley Metropolitan Borough Council

In Blackburn with Darwen Borough Council/Capita Group Plc, the Council has adopted the ‘slim client’ model and is not concerned about its impact on their future capability to ‘second guess’ Capita.

4.3 Partnership integration

Strategic partnerships challenge the culture and form of a local authority. Departments have to engage corporately in their relationship with a partner and address the common agenda of the authority if it is to meet its original aspirations.

‘In our experience these deals live or fall by the quality of the relationship between the people involved.’
Mark Spinks, Director of Public Services, HBS

In Bedfordshire County Council/HBS, the closer working between the two organisations is being achieved by regular briefings for all managers, along with joint staff briefings, a joint staff liaison committee to discuss issues of common concern and joint training and development.

In the Blackburn with Darwen Borough Council/Capita Group Plc partnership, there is substantial joint work under way to refine KPIs and ensure that shared processes are working. Workshops first established at the initial stages of the partnership take place to share good practice and to redesign processes as appropriate.

In the Lincolnshire County Council/HBS partnership, the approach was to have seamless transition but the result was that not enough change management was done at the start of the process and the signal of ‘no change’ was the message. In retrospect, it is generally better to have a clear event to start the new way of partnership working.

In the Hertfordshire County Council/Mouchel partnership it is those staff who act to further partnership working who will succeed and prosper. At recruitment, the potential for partnership behaviour is assessed. Workshops are run jointly to manage change and to bring the contractors into the relationship (Mouchel provides the consultancy role. This activity assisted in dealing with the entrenched views of some
members of staff who were reluctant to change or to understand the necessity for commercial awareness and improved practices. In the next contract, Hertfordshire will aim for co-location to further improve relationships and understanding.

In the Norfolk County Council/Capita Group Plc partnership the private partner has invested significant time on departmental workshops to create greater ownership and proposed solutions for service change and process redesign. Culturally, still more change is required, along with further developmental ownership of the partnership.

In the Dudley Metropolitan Borough Council/Dudley Priority Health Trust/Norwich Union PPP Fund/Mill Group partnership, the private sector side realised almost immediately that it would have to demonstrate its integrity to the rest of the project group in order to ‘reassure them that there would be direction from the private sector but decision by consensus where possible.’ John Gilder, Property Director, Mill Group. Consequently, it operated all Project Team meetings on that basis.

4.4 Structural change

An authority which has let a large, strategic contract may no longer have the right structural shape and will need to adapt to its new role.

Cultural change was and is considered to be a critical success factor at Lincolnshire County Council in the partnership with HBS as the transition change programme was very specifically about SAP and the changed business processes.

The partnering relationship must be comparable with the authority’s strategic plan and be widely understood in the context of the broader objectives of the authority and its community partners.

The impact on staff of implementing new corporate systems in departments should not be underestimated. In Lincolnshire County Council’s partnership with HBS, SAP implementation was conducted across the council to an agreed timetable which meant a huge change in the working practices along with intensive project management, training programmes and the redesign of processes. In addition savings were removed from the existing cost base, as required by the client, leaving little additional capacity to support the transition. The transition to SAP is now being conducted by HBS at a slower pace and further into the partnership, making it easier for everyone and benefiting later HBS’ clients such as Middlesbrough and Bedfordshire.

The benefit of SAP, hitherto used only in large corporations, was a major factor in the decision of the county to award the contract to HBS; the gain was not just financial but led to an improvement in the approach to corporate strategic planning and policy direction.

‘SAP will benefit schools as profiles on every establishment are available and we will be able to monitor every establishment, including the records on pupil attainment. All information is online and other LEAs will find the progress made here helpful.’
Dr Cheryle Berry, Director of Education and Cultural Services, Lincolnshire County Council
Innovative approaches such as implementing SAP involve significant business and systems change. Organisational change can provoke resistance so careful attention to human and organisational concerns is essential. The difficulties of such implementations are great. Many early adopters do not achieve expected rewards or do so at much greater cost than anticipated (Markus 2000).

‘Involving the directorates in the procurement process more actively would have helped the change process later quite significantly.’

Pete Moore, County Treasurer, Lincolnshire County Council

In Hertfordshire County Council/Mouchel the majority of the staff transferred from the county to Mouchel and were culturally ‘in-tune’ with the client’s aspirations. New recruits into Mouchel have been trained and developed to understand the partnering ethos and must readily accept the service delivery culture and objectives. Mouchel previously had experience of partnering and was able to develop a successful partnership formula with the county council, which places much emphasis on collaborative working.

In Norfolk County Council/Capita Group Plc the partnership is currently addressing e-government and by consideration of a service model including a contact centre with related infrastructure developments and change programme. [Norfolk is an e-government pathfinder with an early date for achieving the e-government target, linked to a PFI funding opportunity.] The potential structural and cultural impact of such change is being addressed as senior management believes it will fundamentally change the way the Council does business and will emphasise issues of cost effectiveness and service quality.

4.5 Accountability

The local authority and its elected members will remain accountable for services, regardless of the provisions that are made for their delivery. Accountability cannot be transferred to a partner. Making the decision to enter into the partnership and for alternative service delivery models is an exercise of accountability for the elected members. Responsibility for delivery will remain with the authority and therefore a contract with a partnership agreement can provide an effective way for discharging that responsibility.

‘Accountability does not change when a service is externalised and it is important that both parties stand shoulder to shoulder when difficulties arise and work together to resolve them.’

Chris Gollings, Operational Services Director, ITNET

Accountability for public funds requires that business be conducted in accordance with the law and proper standards for governance.

Where partnerships are concerned, these arrangements should include:

- Openness and honesty in all decision-making with proper records
- Clarity about the full costs of the partnership process, including all client side costs and relationship management overheads
Access rights to all the records of the partnership

Disclosure in the published financial statements

Donahue (1989:12) suggests that accountability to the public can be viewed as evaluating alternative arrangements for carrying out public business by the yardstick of fidelity to the public’s values, whatever they may be.

Contracts within a partnership arrangement can deliver greater accountability. Contractual relationships/partnerships should always contain measures for redress and rectification in the event of failures to deliver, as befits a split between purchaser and provider. Realistically, internally delivered services lack such accountability, and redress is more limited or tenuous. Improvements in quality can emanate from the better specification of services, from defining strategic outcomes as a result of entering into contractual relationships, and from improvements in monitoring that go hand in glove with such activities.

When authorities specify service standards they need to be acutely aware of how they will be able to deal with potential public concerns about accountability, in addition to dealing with the more predictable (if still complex) technical and commercial considerations (Joseph et al. 2000:67).

‘Accountability is essential in partnerships and both the provider partner and the client partner have to be accountable to each other and to the wider community. Member scrutiny has a major role to play in this and should hold the council executive to account for client partnership management and for public service performance – for this cannot be delegated to the provider. The provider partner should expect to be the subject of member scrutiny in respect of the partnership. We need to develop ever more robust models of accountability for strategic partnerships.’

John Tizard, Director of Policy Development, Capita Group Plc

Elected members should be given access to the partner in certain situations (for example where the vision for the service is being rethought, or where they have complaints about service levels) and should not always have to go through the client function. This would remove a source of frustration and bureaucracy from the way some contracts are managed by clients. Performance management does not generally connect to the ballot box since most voters remain (and often wish to remain) unaware of service performance levels. Therefore, the role of elected member scrutiny in the overall management function remains a key link to the democratic process.

Elected members often value the access they have directly with officers to resolve issues speedily with the most knowledgeable person. When a contract is let and the services are externalised into a partnership, this relationship may well change. Discussions around these concerns need to take place in the contract negotiations to ensure that any related costs of different forms of access are included in the final pricing.

In Dudley Metropolitan Borough Council/Dudley Priority Health Trust/Norwich Union PPP Fund/Mill Group the main services to the public from the project building are provided through the Council and the Trust. Elected members raise public concerns directly with management and accept their role and responsibility for delivering quality services. Members also realise that there is a unique
arrangement in place which brings additional benefits and that, as such, the overall value of the scheme needs to be understood in the context of any problems that occur. Senior politicians in Dudley MBC have worked hard to ensure that other elected members, in many cases still hesitant about project partnerships with the private sector, have expressed concerns through the proper partnership channels. The alternative, with members using the wide range of political and media channels available to them, is often damaging to partnership relationships.

For **Caterham Barracks Village**, the link to the democratic process is through representation on the Community Trust’s Board. It may be formalised in a different way once the facilities have been put in place, assuming the authority wishes to continue its contact. It was necessary for the authority to recognise the community leadership that was influencing and driving the development of the facilities and allowing it to operate without hindrance.

Where profit-sharing or some other form of gain-sharing is included within the partnership, the authority becomes a financial beneficiary of the success of the partnership. Potentially, this blurs accountability over the life of the contract as partnership decisions may be taken with an eye on the overall success of the partnership into business expansion, rather than the particular issues of the authority’s services.

The role of members in a partnership needs to be explicit:

**Executive**

At executive level, the formulation of a strategic partnership is a political decision with cabinet members accountable to the public for the performance of the partnership. Ownership of a partnership is important, particularly when difficulties that do arise become high profile.

**Scrutiny**

Members have the opportunity to use their scrutiny powers to monitor and evaluate the effectiveness of the partnership arrangements. This is an important opportunity to hold to account executive members and service managers for the performance of the partnership. A protocol for terms of engagement in the scrutiny process is useful so that both partners are clear about what is involved as some information in this arena will be commercially sensitive. The process should aim to be constructive and positive even where there are problems with service delivery, as the authority is still responsible for the partnership it has entered into and the services it has externalised.

Partnerships pose new and complex governance challenges, particularly in the longer-term partnerships where members may feel their influence is diminished and control has been removed. Good practice needs to be promoted, including the role of the private sector in the local government environment and its strategic stakeholder position in debates on policy and practice.

**4.6 Influencing change**

In **Bedfordshire County Council/HBS** the County has begun to take a more strategic view of its role as community leader and intends for its councillors to spend more time interfacing with constituents than
attending committee meetings. Engaging with its partner has created a focus for strategic change along with the development of the regional business centre and the customer contact centre. Members are discussing with districts in the county and beyond, the potential for working together with the contact centre and the regional business centre creating capacity that will benefit the district councils by addressing issues of economies of scale.

With Cambridge Education Associates at London Borough of Islington the strategy has been focused on building relationships and trust, listening and responding, consulting and creating sensible arrangements in response. They have developed a set of principles and values which are part of the process for delivering major service and cultural change:

- **Continuous improvement** – to promote a culture of achievement where striving to be the best is accepted across the service and creativity and risk-taking are encouraged in the pursuit of excellence.

- **Equality of opportunity** – to provide an environment where equality of opportunity is embedded in all activity and where diversity of experience and backgrounds is celebrated and drawn upon positively to enhance the services offered to pupils, parents and schools.

- **Honesty and transparency** – so that CEA say what they mean and do what they say, both within the organisation and in dealing with schools and other stakeholders.

- **Positive partnership working** – where CEA work in partnership with all stakeholders to ensure recognition of all contributions and promote effective and creative teamwork across the organisation.

- **Staff empowerment** – where individuals are encouraged to take responsibility for and exercise leadership in their own area of work.

- **Continuous learning** – to develop a community of staff where learning never stops and is seen as a tool for liberation.

- **Responsibility and accountability** – to ensure a clear framework of accountabilities for work at all levels.

In the Hertfordshire County Council/Mouchel partnership, getting the best solution from the ownership of an asset is an added dimension to service provision. Staff have had their future secured with business growth into the private sector, whereas previously there had been a declining internal business. The use of IT has helped the County to appreciate the value of the asset it owns and the development of a total asset approach ensures the best use of the resources on the highway network.

### 4.7 Communication

In some of the partnerships we visited, the private sector partner would welcome greater contact with the elected members as they believed it would help to dispel rumours that build up occasionally and would strengthen the partnership-building process. Debates around partnerships in authorities were sometimes more political than they needed to be, rather than focusing on the outcomes that the partners should be working together to achieve.
Communication up to the point of transition was generally good and effective but then the focus often changed. Effective communication about, and within, the partnership needs to continue for the life of the deal.

In **Bedfordshire Council County/HBS** there is regular contact between each organisation’s leader/chief executive and between the deputy Chief Executive and HBS’s regional Managing Director. Joint management briefings and away-days are planned and staff liaison groups in both organisations meet monthly.

### 4.8 Jointly procured partnerships

At the time of writing there are no examples of the successful joint procurement of a strategic partnership, although Northamptonshire County Council and Milton Keynes are at the stage of issuing invitations to tender to three short-listed companies for a large range of support services across both councils.

The ability to procure partnerships jointly and to manage the interface between authorities, including the political dimension, will be very important for local government in the future, particularly for addressing the scale issue for district councils and the reality of delivering the ‘one contact point’ for public services in two- or three-tier structures.

The IEG strategy for implementing e-government has emphasised the importance of joint initiatives and has provided financial incentives for authorities to work closely in procurement and to share services. Each of the pathfinder authorities has agreed to work with a small group of other authorities (and other agencies) to maximise the potential for learning from the experience. It will require a significant cultural shift for many authorities and will test the leadership abilities of chief executives and senior management over the next few years.

There are technical, legal and political difficulties to be addressed but there are many benefits to be delivered for those who can take on the challenge.
4.9 LEARNING POINTS FOR LOCAL AUTHORITIES

- You will need to change your organisational culture – or ‘cultures’, if (as is likely) your authority has more than one. Cultural change is necessary for both partners when entering into a partnership.

- Learn to focus on outputs and outcomes and the service being delivered and take a hands-off approach to operational delivery.

- Understand that the local authority’s role in being a good client is as important as that of the contractor. Each has to play its part and actively contribute to making the partnership work. Continuous improvement in commissioning and monitoring by the client is as much an attribute of successful partnerships as continuous improvement in service delivery by the contractor.

- Take a non-adversarial approach at all levels. You will sink or swim together.

- Encourage your partner to allow their special expertise to be made available to the authority – this is what a partnership relationship entails. At the same time, do not unreasonably deny your partner access to the specialist expertise in your organisation.

- Assume the relationship is about improving the services, and is therefore always changing, rather than monitoring to a fixed specification. This means that both sides have to be imaginative – and flexible.
chapter 5
are you ready to be in a partnership?

‘Sufficient preparation for procurement may appear to be time-consuming at the outset but will reap dividends in time, cost and market perception in the long term.’
Helen Randall, Partner, Nabarro Nathanson (Member of the Byatt taskforce review of procurement)

5.1 Diagnostic for partnership

It is important for any organisation, particularly a local authority with its statutory responsibilities and accountability for the public purse, to understand whether it is ready for partnership. If not, it is equally important that it learns in time not to go down the route until the right cultural, strategic and practical preparations are in place. It is clear that if an authority is ready to adapt and change, then the combination of the best of both the private and public sectors will provide a real opportunity to develop world-class public services. But starting the process ill-prepared is not the correct foundation for effective partnership management.

Research conducted by ippr (Joseph et al. 2001) identified that genuine partnership involves organisations accepting common objectives, sharing risks and rewards, adapting to new cultures and acting cooperatively to resolve differences. It is not for the dogmatic or those unwilling to embrace change.

This chapter is designed to provide authorities with assistance in determining their level of awareness and preparedness for the issues surrounding partnerships. The topics shown in the diagnostic model provide the basis for discussion at corporate management team level*. This is a tool for authorities to assess whether the time is right to begin the process, to consider partnership further, or to conclude that partnership is not what is required at the moment for the services or objectives under consideration.

The questions on the following pages are designed to be thought-provoking and useful in a management appraisal of the partnership potential of the authority. The questions address issues of culture, practicality, process and relationships. Authorities should ask members and key officers to complete the questionnaire. Further preparation may be required before embarking on a strategic partnership, where a high percentage of answers in the strongly affirmative are not received.

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* NLGN would like to hear from authorities who are interested in the facilitated workshop.
Drivers/pre-partnership considerations

1. Is the main driver to improve service quality?

2. Is the main driver to corporatise the authority (address service silos)?

3. Is the main driver to improve efficiency?

4. Is the main driver to reduce costs?

5. Is the focus of the project improved service delivery?

6. Is the focus of the project improved asset management?

7. Are you looking for innovation?

8. Are you prepared to accept some service risk?

9. Is investment sought or required?

10. Are there Intellectual Property Rights to exploit?

11. Is trading a desired outcome?

12. Are external skills required to sustain the services?

13. Is the private sector a potential partner?

14. Does service provision failure or problem drive the desire for a partnership?

15. Have you scoped which services or aspects of service provision may benefit from a partnership approach?

16. Have you realistically considered the size and nature of costs which may be incurred in seeking a partner?

17. Could you crystallise your current range of activities in terms of monitorable outcomes?

18. Are you aware of the risks you currently face as a delivery organisation and the main risks you would run if you engage in a partnership?
Cultural

1. Are you clear where the boundaries of shared public service ethos common to both parties end?

2. Are you able to define the difference between partnership and contractual outsourcing?

3. Is there a willingness to have core services delivered by another agency or private sector partner?

4. Are you able to define the boundary where cost and process information shifts from the authority to the exclusive domain of the private sector for reasons of commercial confidentiality?

5. Do you feel sufficiently confident to know the difference between contractual adjustment and potentially opportunistic behaviour exhibited by your partner?

6. Do you recognise where the balance lies between achieving an objective and making a profit?

7. Do you feel confident that communication of the partnership ethos will be part of the future culture of the authority?

8. Are you able to accept the degree of strategic integration necessary to be an effective partner?

9. Do you appreciate that roles and responsibilities may change between partners over time if that improves performance?

10. Is your authority able to let go of process and monitoring performance inputs to move to high-level joint monitoring of outputs and outcomes?

11. Have you genuinely taken on board the nature of the loss of operational activity to the psychology of the organisation?

12. Will you be able to hold and retain the best talent in your organisation?
Change

1. Is there a clear vision of where the authority wants to get to? (Strongly yes) (Yes) (Vaguely) (Not really) (Strongly no)

2. Is the vision shared by Members and officers? (Strongly yes) (Yes) (Vaguely) (Not really) (Strongly no)

3. Are you prepared for a substantial range of services to be co-managed by a small group of Members and officers? (Strongly yes) (Yes) (Vaguely) (Not really) (Strongly no)

4. Do you have a process by which users and local communities can be involved? (Strongly yes) (Yes) (Vaguely) (Not really) (Strongly no)

5. Are you clear about the step-changes i.e. the big differences, the partnership is trying to achieve? (Strongly yes) (Yes) (Vaguely) (Not really) (Strongly no)

6. Could you communicate simply the features of the partnership that will assist the local authority in seeking new freedoms? (Strongly yes) (Yes) (Vaguely) (Not really) (Strongly no)

7. Is continuous improvement built into your strategy for partnership? (Strongly yes) (Yes) (Vaguely) (Not really) (Strongly no)

8. Have you considered how you will keep up with current practice/operations/appropriate technology occurring outside the partnership? (Strongly yes) (Yes) (Vaguely) (Not really) (Strongly no)

9. Are you able to articulate the methods or routines you would practice to avoid the dangers of becoming locked into your partner’s practices over the years of the arrangement? (Strongly yes) (Yes) (Vaguely) (Not really) (Strongly no)

10. Are you able to respond confidently to the fear that you may become so ‘hollowed out’ as an organisation that you will be incapable of effectively evaluating the partnership performance? (Strongly yes) (Yes) (Vaguely) (Not really) (Strongly no)

11. Do you have a strategy or policy to deal with the effect of partnership on your residual staff structures? (Strongly yes) (Yes) (Vaguely) (Not really) (Strongly no)

12. Have you considered the strains which might be placed on the partnership by future changes to the political administration? (Strongly yes) (Yes) (Vaguely) (Not really) (Strongly no)
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<td><strong>13</strong></td>
<td>Have you considered what actions you should effect in order to recalibrate your organisation into an intelligent client structure?</td>
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<td><strong>14</strong></td>
<td>Do you feel you really understand the full implications of change implied by partnership?</td>
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<td><strong>15</strong></td>
<td>Do you have a clear view of the nature of the joint outcomes expected from partnership and how you would reorganise to best achieve them?</td>
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<td><strong>16</strong></td>
<td>Do you intend to orchestrate a project risk assessment and contingency strategy as part of your contribution to the partnership?</td>
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<td><strong>17</strong></td>
<td>Are you prepared to break something that works perhaps to create something that works better?</td>
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<td><strong>18</strong></td>
<td>Are you prepared for the degree of change which partnership will generate?</td>
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### Relationships

1. Is there an appetite for sharing risk?  
2. Have you considered the mechanism for renewing assets within the partnership?  
3. Have you audited the skills and resources required from the different stakeholders?  
4. Have you identified the stakeholders who need to participate and the roles they will play?  
5. Have you considered how permanent the partnership is intended to be?  
6. Are you prepared actively to learn in order to understand the expectations and constraints of your private sector partner?  
7. Have you managed to define or specify jointly, agreed examples of trust for your partnership?  
8. Are you in a position to make clear to your private sector partner your expectations of trusting behaviour?  
9. Have you quantified the additional commitment of management time to achieve a collaborate, added-value partnership with commitment for its duration?  
10. Are you prepared to clarify what forms of trust-based behaviour your partners should expect of you?  
11. Do you have a robust process to communicate the creation and expectations of the partnership to your stakeholders?  
12. Have you considered the degree of democratic openness necessary and how this might impact on your commercial partner?  
13. Do you have a clear picture of the structure and corporate form desired for the partnership?
appendix 1
project support

1 The following companies provided financial and intellectual support

Cambridge Education Associates
Edwards Project Management
HBS
ITNET
Linden Homes
Mill Group
2 Project advisory group

Paul Najsarek Senior Manager Audit Commission
Steve Reeve Principal Lecturer in Economics Brighton Business School, University of Brighton
David Yorath Principal Consultant Cambridge Education Associates
Derek Foreman Director of Operations Cambridge Education Associates
Dick Moran Chief Executive Caterham Barracks Village Trust
Dilys Foster Project Director (Serco Institute) DTLR Strategic Partnering Taskforce
Deirdre Wells Director (Babtie) DTLR Strategic Partnering Taskforce
Jon Tomlinson Acting Director of Social Services Dudley Metropolitan Borough Council
Barbara Brownlee Director Edwards Project Management
Steve Davies Director of Operations Epsom & Ewell Borough Council
Lee Digings Senior Best Value Consultant IDeA
Paul Maltby Research Fellow ippr
Paul Johnson Sales Director ITNET
Jerry Keates Finance Director ITNET
Ken MacNeill Director Libre Consulting
Jeremy Tilford Director Mill Group
Chris Lee Senior Solicitor, Public Sector Department Nabarro Nathanson
Peter Gould Chief Executive Northamptonshire County Council

In addition, I extend my thanks to Professor Tony Bovaird, Head of Strategy and Public Services Management at Bristol Business School, UWE, who came on some of the visits to the partnerships and contributed significantly.

Special thanks go to all the people who were visited and interviewed and whose names are shown in the case studies in appendix 2 and to Nick Sharman, Director of Operations at the London Development Agency, for sharing his thoughts and experiences on the topic of partnership management.

My thanks also to Richard Nicholls, Director of the Serco Institute, for some thoughtful discussions and much encouragement.

Carey Leuw led the support from NLGN and my thanks go to her and all her colleagues.

NLGN would also like to thank Hertfordshire County Council for their comments on the draft report.
BEDFORDSHIRE COUNTY COUNCIL/HBS

Services

ICT, Communications, HR, Business Support, Social Services support, Finance, Contracts and FM, incl. property, Highways and Transport, Learning and media resources. To provide a contact centre and regional business centre

Value of contract

£20m a year

Duration

From June 2001 for 12 years

Cost of relationship function

£200k in County Council

Partnering interfaces

Strategic Partnership Management Board Provides policy, governance and strategic direction. Comprises elected members including the Leader and Chief Executive of the authority and HBS Board directors and MD of HBS. Reports to the Council’s Executive. To meet 4 times a year at least.

Strategic Partnership Steering Group Provides support to the Management Board at officer level. Includes BCC’s Chief Executive and HBS Regional MD. Also includes two professional associations and trade union representatives. Monitors the development of the Regional Business Centre and discusses best practice in public service delivery generally, and considers stakeholder interests in projects. To meet every 3 months at least.

Partnership Review Forum The monitoring and steering group for the Partnership. It oversees the operation and meets monthly. Prime focus is performance, consistent service delivery and development in line with agreements. This forum ensures stakeholder views are obtained.

Project Teams Support the groups above and develop key projects such as SAP, contact centre, KPIs.
Interviews were conducted with

**Hyder Business Services**
John Jasper  
*Group Chief Executive*
Terry Woodhouse  
*Regional Managing Director*
Peter Duke  
*Regional Finance Director*
Ian Trenholm  
*Head of Operations*
Gez Rance  
*Head of Operations (Education and Development)*
David Calcott  
*Education Consultant to HBS*
Peter Dunne  
*Head of School Direct Services*
Beverley Canham  
*Operations Manager, Contact Centre*
Chris Leake  
*Implementation Manager, Contact Centre*

**Bedfordshire County Council**
Councillor Philip Hendry  
*Leader*
Councillor Angela Roberts  
*Deputy Leader*
David Bell  
*Chief Executive*
Dick Wilkinson  
*Deputy Chief Executive*
David Doran  
*Strategic Director (Learning)*
John Goldsmith  
*County Education Officer (Strategy)*

**BLACKBURN WITH DARWEN BOROUGH COUNCIL/CAPITA GROUP PLC**

**Services**

ICT, CRM, HR, architects, property management, highways management consultancy, financial administration (part), exchequer services, payroll and payment services, schools business support services (part), technical highways, reprographics, printing, social services administration, Housing Benefits administration, Council Tax and NNDR administration. Creation of a business centre to provide shared support services to other public sector bodies. Development of e-government to join with other public sector agencies in the area. Supports regeneration and town centre development along with diversity of jobs from manufacturing to ‘white-collar’.

**Value of contract**

£20m a year

**Duration**

From July 2001 for 15 years
Cost of relationship function

Not separately costed

Partnering interfaces

**Strategic Partnership Board** Chaired by Leader of the Council and comprises 4 elected members, Chief Executive and strategic directors and 5 Capita senior directors, including the Partnership Director. The Board agrees the three-year business development plan, monitors performance at the strategic level, negotiates change and ensures the partnership contributes to the Council’s Community Strategy objectives. Meets monthly.

**Operational Board** Client side managers at Assistant Director level and Capita operational managers/Partnership Director develop and monitor the operational activities and support the partnership Board. Meets monthly.

**Service Improvement Groups** These provide a vehicle for ensuring that the shared Council/Capita processes work, especially at the interface. Capita is ‘back-office’ and Council ‘front-office’ in this deal.

**Interviews were conducted with:**

**Capita Group Plc**
- John Tizard
- Director of Policy Development
- Terry Boynes
- Partnership Director
- Phil Rowland
- Finance Director (Blackburn and Darwen)
- David Hurst
- Programme Director

**Blackburn with Darwen Borough Council**
- Councillor Bill Taylor
- Leader
- Councillor Gail Barton
- Executive Member
- Phil Watson
- Chief Executive
- Steve Weaver
- Executive Director and Project Leader
- Alan Cotton
- Director of Finance
- Linda Comstive
- Director of Legal and Administrative Services
- Peter Morgan
- Assistant Director, Education and Lifelong Learning
CATERHAM BARRACKS VILLAGE TRUST/LINDEN HOMES/TANDRIDGE DISTRICT COUNCIL

Services

Urban village development of 400 dwellings and some business development, with community facilities provided through the S106 agreement. The S106 is monitored by the Council in its role as planning authority. On this site, the S106 included transport, educational facilities valued at £100k and community facilities, including investment of £30k in a cricket pitch, affordable housing and alternative parking for adjacent residents affected by the new village.

Value of contract

Site value £16m, building development £60-£100m. Trust funds of £2.5 million for community facilities.

Duration

Planning consent obtained in 1998, development will continue until 2006. Lease is for 125 years.

Cost of relationship function

Not identified

Partnering interfaces

Trust Board Established to manage the funds and development from the S106 agreement, the 12 members from the surrounding community, including one elected member from the council, oversee the role of Chief Executive of the Trust. Tandridge Leisure Ltd work as advisors with the Trust on the development of the leisure and community sports facilities from S106 funds.

Linden Homes Project Director and Managing Director attend all Trust meetings as trustees, although over time they will be replaced by a resident and by an employer operating within the village. Linden’s directors meet on a fortnightly basis with the Chief Executive of the Trust to ensure effective relationship management and also meet with the Trust’s architects to ensure compatibility of design with the village overall.

Tandridge District Council has an interest from two perspectives: in the affordable housing provided on the site, managed by a housing association, at a density of 27.5%, but peppered across the site to ensure no ‘them and us’ issues arise. Also as custodian of the S106 agreement, ensuring that Linden Homes comply with the terms of the planning consent in a timely manner. More informally, the Council also acts as arbiter between the Trust and Linden Homes and exercises conflict resolution when there is a difference of opinion, or where other difficulties arise, through the effective relationships established with both parties.
Interviews were conducted with

Linden Homes
Ivan Ball
Project Director

Caterham Barracks Village Trust
Dick Moran
Chief Executive

Tandridge District Council
Adrienne Greenwood
Planning Officer

Tandridge Leisure Ltd
Paul Clark
Managing Director

DUDLEY METROPOLITAN BOROUGH COUNCIL/DUDLEY PRIMARY HEALTH TRUST/
NORWICH UNION PPP FUND/MILL GROUP

Services

NHS local mental health unit with day-care facilities, outpatients department, clinical and therapy rooms and administrative offices, a Library and Social Services Office, all provided in one location through the partnership between the Council, the NHS Trust and Norwich Union’s PPP Fund, as private sector service provider. Mill Group headed the supplier consortium of Yorkon (construction) and Integral (facilities management). This was the first jointly procured PFI scheme in the Social Services sector. The on-going service is for the fully-managed accommodation and maintenance.

Value of contract

Annual FM charge:
£167,710 Local Authority 38%
£333,892 The Trust 62%
(relative to occupation of the premises)

Duration

Signed February 2000 and service started March 2001

Cost of relationship function

Dudley MBC/PHT subsumed in other management costs internally.

Partnering interfaces

Project Board Chaired by the Trust and involving senior officers and advisors from all partners. Annual meetings planned since service live for review by all partners at director level. During planning and construction, the Board met on a monthly basis to oversee the project and address key strategic issues. The Project Board could intervene in the event of any serious default in service provision.
Political Chair of Social Services and Committee kept informed via reports. Local members briefed on a regular basis.

Operational Group Monthly meetings with FM contractors and discussion on performance and payment implications discussed with this group and day-to-day issues for effective operation. In addition there is direct interaction between staff on site and the FM contractor.

The contract determines the working relationship between the Trust and the Council and states they will consult on material issues.

Joint Agency Planning Arrangements Group Officers from the Trust, Council and Health Authority meet regularly to discuss clinical and operational issues. Also this group has developed a joint organisational and development strategy to ensure cultural change issues are planned and delivered effectively.

Interviews were conducted with

**Dudley Priority Health Trust**
Dr Margaret Bamford  
Chair  
Rob Bacon  
Chief Executive  
Phil Begg  
Locality General Manager  
Julie Gunning  
Head of Service Planning  
Liz Clifton  
Project Manager

**Dudley Metropolitan Borough Council**
Neil Nisbett  
Finance Director  
Bill Baker  
Senior Assistant Chief Finance Officer  
Jon Tomlinson  
Acting Director of Social Services  
John Boyle  
Senior Project Officer, Social Services

**Yorkon**
Guy Gregory  
Kevin Jones

**Mill Group**
John Gilder  
Property Director

**Integral**
Kevin Doughty  
Director
HERTFORDSHIRE COUNTY COUNCIL/MOUCHEL TSC

Services

Highways network and transportation services consultancy.

Value of contract

£7m a year

Duration

From October 1997 for 5 years

Cost of relationship function

Not separately costed

Partnering interfaces

Annual review meeting Mouchel and HCC managers, Mouchel directors and elected members meet to review the workings of the partnership and develop the bond between the partners at the most senior level. The meeting includes informal discussion opportunities. This is the only direct member involvement in the partnership.

Partnering Strategy Group Directors and senior managers from both partners meet 3-monthly, alternating the role of Chair between the partner directors. Reviews finances, quality, progress, and any relevant issues brought to the table by either partner. Develops future work programme.

Contract Management Meeting The contract and client manager meet monthly. Finance staff from both partners attend for part of the meeting. The function is to review and monitor the overall working of the partnership and commissions being undertaken and the agenda is based on the report produced by Mouchel on the overall delivery of the contract. The report covers finance, performance standards, progress in relation to time and budget, any problems or special requirements, any invoicing issues, review of continuous improvement and customer satisfaction surveys.

Progress Meetings Meetings are called as required but usually monthly and relate to the inherent responsibilities of the client to monitor and the provider to keep the client well informed. Attended by project managers from both partners with responsibility for particular commissions. The discussions cover quality, potential for costs overruns and the identification of appropriate corrective action.
Interviews were conducted with

**Mouchel TSC**
John Glanville  
*Unit Manager*
Stephen Sewell  
*Divisional Manager*

**Hertfordshire County Council**
Charlie Watson  
*Director of Environmental Services*
Mike Palmer  
*Assistant Director of Environmental Services*
Alan Armson  
*Network Manager (strategic client manager)*

**LONDON BOROUGH OF ISLINGTON/CAMBRIDGE EDUCATION ASSOCIATES**

**Services**

The full range of LEA function for school improvement and support services, both ‘back office’ – financial, personnel, payroll, asset management, etc – and ‘front line’ – school improvement, advisory and curriculum, special educational needs, school admissions, etc.

Islington retains strategic oversight for these services and also direct responsibility for other education services (principally Early Years and Life-long Learning). The latter are managed by a statutory Director of Education who is also the client for CEA services. Contract let following direction ‘intervention’ by DfES after highly-critical Ofsted report

**Value of contract**

£10m a year for schools services, plus traded services of c£3m. Payment to CEA is a management fee for running the contract and savings on the schools budget are directed back into the service.

**Duration**

From April 2000 for 7 years

**Cost of relationship function**

CEA costs = £120k direct cost

**Partnering interfaces**

Islington Partnership Board The Council, CEA and DfES are represented. During the first year this met approximately every two months but this has now been adjusted to once a term. This Board would deal with disputes in addition to progressing the strategy for the partnership.
Education Committee Regular progress reports.

Close liaison between Director of Schools’ Services and Director of Education and with the LB Islington’s Chair of Education.

Interviews were conducted with

**Cambridge Education Associates**

Derek Foreman  
*Executive Director of Operations and Programme Director*  
Vincent McDonnell  
*Director of Schools’ Services*

**LB Islington**

Councillor Steve Hitchens  
*Leader of the Council*  
Leisha Fullick  
*Chief Executive*  
Jonathan Slater  
*Director, Office for Public Service Reform, Cabinet Office*

**LONDON BOROUGH OF ISLINGTON/ITNET**

**Services**

**Housing and Council Tax Benefits Administration**

**Value of contract**

£3-£4 million a year

**Duration**

To 2003, option to 2005, Deed of Variation negotiated to 2009.

**Cost of relationship function**

£100-£200k in ITNET, not identified separately in LB Islington

**Partnering interfaces**

**Directors’ Meeting** Monthly between client director and contractor’s operational director to discuss high level issues and plans.

Internally, ITNET hold a monthly service review to evaluate the last month’s performance, and a monthly commercial review to discuss future plans. LB Islington hold high level officer steering group weekly headed by the Chief Executive with senior directors.

**Operational Meeting** Client manager and Director of Revenues and Benefits meet on a weekly basis and fortnightly with managers within ITNET.
Client manager meets the company every three months to discuss commercial issues and forward plans.

**Risk and project meetings** Held as necessary to ensure joint risk management and project appraisal on major change such as new IT systems.

**Stakeholder meetings** Held jointly monthly with Housing department, Council Tax section and with the Housing Associations in the borough.

**Interviews were conducted with:**

**ITNET**
- Chris Gollings
- Operational Services Director
- Lynne Stradling
- Director of Revenues and Benefits

**London Borough of Islington**
- Councillor Steve Hitchens
- Leader of the Council
- Leisha Fullick
- Chief Executive
- Andy Jennings
- Director of Housing (Client Director)
- Rita Lally
- Assistant Director (Client Manager)

**LINCOLNSHIRE COUNTY COUNCIL/HBS**

**Services**

Finance, ICT, Property, Personnel and Catering. Creation of a single integrated business system – SAP – to provide a corporate perspective to business planning and improved customer management.

**Value of contract**

£28m a year, now increased to £36m a year

**Duration**

From April 2000 for 10 years

**Cost of relationship function:**

£140k for LCC, £250k for HBS

**Partnering interfaces**

**Partnership Board** Provides general and strategic direction. Comprises elected members including the Leader and Chief Executive of the authority and HBS Board directors and Managing Director of HBS.
ASD Management Board  Oversees and directs the management and development of the contract and the continuing relationship with HBS as set by the Board. Ensures that pricing and best-in-class provisions are met. Determines and agrees strategic projects and resolves major issues relating to future projects. Comprises Chief Executive of authority, directors and senior managers from HBS.

Contract Management Board  Oversees and manages the contract with particular emphasis on delivery of specification and best-in-class services. Chaired by the Director of Education and comprising representatives of all service divisions in HBS.

Service Development Group  Delivers and agrees a work programme to develop the benefits of the contract. Agrees business cases. Administers the Service Improvement Programme to complete the SAP implementation.

Interviews were conducted with

**HBS**
- Mark Spink
- Director of Public Services
- Nigel Piercy
- Business Relationship Manager
- Dave Davies
- Customer Services Manager
- Robert Campbell
- SAP Project Director
- Gwen Booth
- HR Consultant
- Mary Gordon
- Operations Manager
- Glenn Gibson
- IT Service Delivery Manager
- Anne Lynd-Evans
- Catering Service Delivery Manager
- Tony Wilkins
- Property Service Delivery Manager
- Keith Maltby
- HR Service Delivery Manager

**Lincolnshire County Council**
- David Bowles
- Chief Executive
- Pete Moore
- County Treasurer
- Nick Sharpe
- Corporate Client Manager
- Helen Rawthorn
- Dr Cheryle Berry
- Director of Education and Cultural Services
- (also Chair of the Contract Management Group)
- Allan Crease
- Assistant Director of Education and Cultural Services (Access)
- David Clarke
- Performance Team, Social Services
- Chris Clarke
- Finance and Resources Social Services
- Sue North
- Service Development,
- Highways and Planning Directorate
- Terry First
- Highways and Planning Finance and SAP
- Mitch Elliott
- Assistant Head of Transport Services
- (Fleet and Contracts) Highways and Planning Directorate
- Mike Thomas
- Deputy Chief Fire Officer
NORFOLK COUNTY COUNCIL/CAPITA GROUP PLC

Services


Value of contract

£4.7m a year

Duration

From 1999 for 10 years

Cost of relationship function

£650k a year in NCC including ICT Strategy, Programme, Project, Performance & Contract Management.

Partnering interfaces

Strategic Partnership Board Provides overall strategic direction. Comprises elected members including the Leader & Chief Executive of the authority and Capita’s Executive Chairman and Senior Directors.

Joint Member Officer Working Group Comprising each party leader and two further members from the administration as well as the NCC Partnership Director, Director of Corporate Resources & Director of Cultural Services. Elected members consider overall partnership direction.

E-Chief Officer Group Meets fortnightly to oversee the Partnership Change Programme that includes a range of large projects to support e-Government and overall management of performance. Comprising directors of NCC and senior Capita Group plc staff.

Operational User Groups Involving staff from all departments and Capita staff responsible for service delivery these groups monitor performance and work on service enhancements.
Interviews were conducted with

**Capita Group Plc**
- John Tizard
  Director of Policy Development

**Norfolk County Council**
- Karen O’Kane
  Partnership Director
- Terry Turner
  Director of Cultural Services (and e-gov. champion)
- Nicola Mark
  Head of Client Support Services
- David Goode
  Programme Manager
- Alan Tidmarsh
  Director of Corporate Resources
- David Jarrell
  ICT Solutions Manager Education
appendix 3
further reading and references


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Greenhalgh L. 2001 *Managers Face up to the New Era in Mastering Management* Financial Times 22 January 2001 to be published by Pearson Education


OGC Best Practice – Managing Partnering Relationships www.ogc.gov.uk 3 September 2001


Sull D. 2001 Success Flows From Business Development in Mastering Management Financial Times 15 January 2001 to be published by Pearson Education


Achieving Best Value

Lord Geoffrey Filkin

This report commissioned by NLGN and written by Lord Geoffrey Filkin, draws on a range of experts from the private and public sector and suggests that a methodology based on intelligent strategic procurement is the appropriate basis for improving performance and delivering the outcomes that the public want.

Balancing Good Government and Open Decision Making

Professor Steve Leach

Since the Local Government Act 2000, new structures and methods of working have been introduced to deliver more efficient and responsive decision-making. This report describes many of the choices and dilemmas faced by local authorities. In the spirit of the legislation, the policy recommendations take into account local variations in cabinets, overview and scrutiny functions, the operation of party groups and the area dimension.

Best Value in Education

Professor Paul Corrigan

This report commissioned by Initial Education Personnel takes a snapshot of where local authorities with education services are in the process of carrying out Best Value reviews. It examines examples of good practice by authorities who are already engaged in reviews of their education services and contains practical information and action points which will be of assistance in assessing the development of such reviews in other authorities.

Cllr Katy Donnelly, Deputy for Lifelong Learning, London Borough of Lewisham

Developing New Roles for Council Members

Sue Goss and Professor Paul Corrigan

The Local Government (Organisations and Standards) Bill sets out a range of new roles and responsibilities for council members. Recognising how local government can only work with effective councillors carrying out their responsibilities, this pamphlet explores the ways in which members need to develop their scrutiny, representation and executive skills and examines the support they need.

Cllr Douglas Eyns, Bournemouth BC

Developing Your Council’s Scrutiny Role

Sue Charteris and Professor Paul Corrigan

Local government is modernising its political structures in response to government proposals. One of the most important changes is the development of the split between the executive and the monitoring or scrutiny sides of the council. This report, drawing on experiences of local authorities across England and Wales, describes the practical ways in which local authorities can develop their scrutiny functions.

Dave Burbage, Chief Executive, London Borough of Newham

Local solutions

Professor Paul Corrigan

Implementing the 2000 Local Government Act, local authorities in England and Wales are introducing new streamlined decision making processes that focus on strategic community leadership and new devolved structures. Exploring what devolution to neighbourhoods means in practice, this report addresses how councils can use different developments to define a fresh and innovative approach that responds to the needs of local communities.

Reviewing Leader and Cabinet Models

Professor Steve Leach

In response to the Local Government Act 2000, all local authorities are assessing and changing their political management structures. The ‘leader and cabinet’ model is one of the three executive options from which local authorities with populations 85,000 or over will have to select, following consultation with the local population. This report concentrates on how the executive itself will work and provides a political analysis of the choices available (within the legal framework) in the way ‘leader and cabinet’ can be interpreted, arguing that different choices may be appropriate in different political circumstances.

Strategic Partnering for Local Service Delivery

Lord Geoffrey Filkin, Enid Allen, John Williams

In the current heat of opinion concerning the future of the public services, this report reveals the extent to which some localities are ahead of the debate. Profiling ten specific cases of public-private and public-voluntary partnerships, the report explores all aspects of such partnerships including conception, definition, contract, delivery of targets and the lessons apparent for future best policy and practice. Based on detailed research, the report observes how the methods of procurement and management involved in bringing about strategic partnerships have led to the development of new skill-sets among public sector professionals. In revealing that partnerships on this scale will only continue to work as long as competitive supply markets exist, giving councils real choice and ensuring that innovation and improvement are part of market development, the report identifies the nature of support required from central government to ensure continued delivery of best value.

Dave Burbage, Chief Executive, London Borough of Newham

...this report is an excellent guide to how to approach strategic partnerships, sets out a well thought-out framework and uses actual case studies in an informative way. Read, learn and then do ...
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Enid Allen

Enid Allen is a self-employed management consultant, specialising in partnership opportunities for service improvement in local government. Her recent clients include NLGN where, as senior policy advisor, Enid has conducted two major pieces of research. Her first report, Strategic Partnerships for Local Service Delivery, co-written with Lord Filkin and John Williams was published by NLGN in July 2001.

Enid's other clients include the Inter Authorities Group. She is also chair of the E-government Forum – a body launched in December 2001 to promote learning and sharing of experiences to IAG members in addressing their e-government targets.

Enid Allen has recently joined the DTLR Strategic Partnering Taskforce which supports the e-government and corporate services pathfinders.
Strategic service delivery partnerships between the public, private and voluntary sector have recently emerged as a new and innovative form of partnership designed to bring about a step change in service access and quality for local communities.

The long-term management of these partnerships will demand new skill sets from officers, councillors and partners. The key task will be to manage both the relationships across all levels of the organisation and a flexible contractual framework that incentivises both the partners to deliver innovation and continuous improvement in service standards.

In this report, NLGN explores some major public/private partnerships to identify the role of local government as the intelligent client, working collaboratively to address the challenges and provide a flexible environment for the future.

It forms part of NLGN’s ‘Starting to Modernise’ series of practitioner publications, which aim to help senior officers and councillors across all types of local authorities respond positively and knowledgeably to the modernisation agenda.