Driving change and enabling the delivery of better public services

CBI Public Services Summit

16th June 2009

Market segmentation

- Looking after the past
- Current pipeline
- Looking to the future

Project Pipeline – 110 Projects

Local Authority (87 projects, £7,326m)

15 Waste projects (majority £100-200m, but also £360m; total of **£2,472m**)

46 Education projects (majority between £20-100m, but also £215m; total of **£2,444m**)

10 Streetlighting (between £40m and £286m; total of **£1,007m**)

10 Housing (majority £80-120m, but also £155m; total of **£935m**)

4 Leisure, Libraries (£23-48m; total of **£155m**)

2 Transport (£170m, £143m; total of **£313m**)

Project Pipeline – 110 Projects

Other (20 projects, £3,095m)

6 Northern Ireland projects (**£777m**)

2 Defence (**£1,218m**)

1 English Hospital (**£475m**)

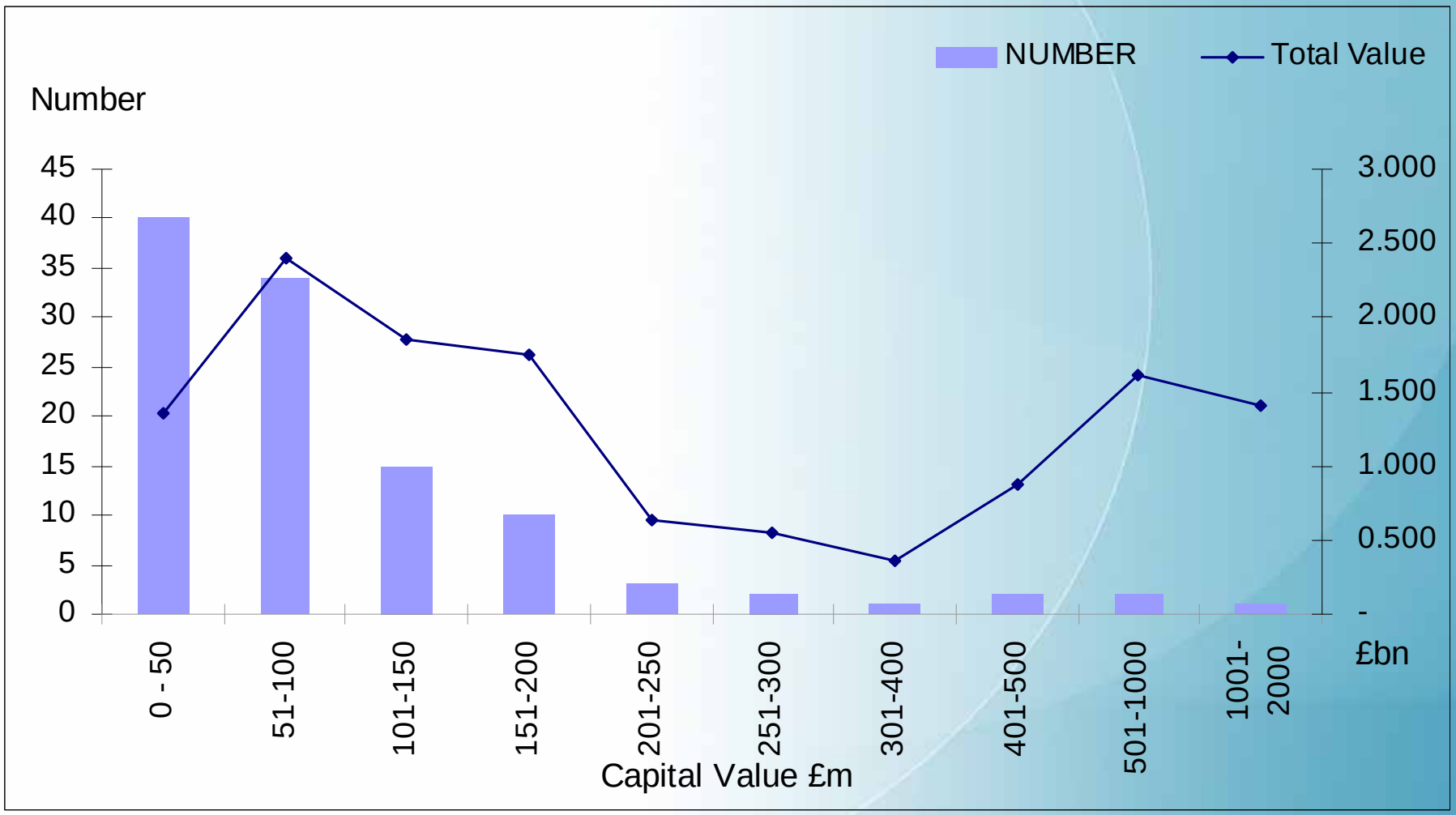
6 Emergency Services projects (**£266m**)

2 Prisons (**£196m**)

3 Scotland projects (**£163m**)

Plus more coming into the pipeline

Distribution of projects by size and value



Market issues and trends

- Political change
- Fiscal constraints
- Accounting treatment
- Credit crunch

Impact on Communities

- More investment flowing through local public sector bodies
- More emphasis on making better use of existing budgets
- Wider range of procurement methods
- More complex procurement models
- Greater involvement of the public sector
- Joint commissioning
- Outcome based contracts

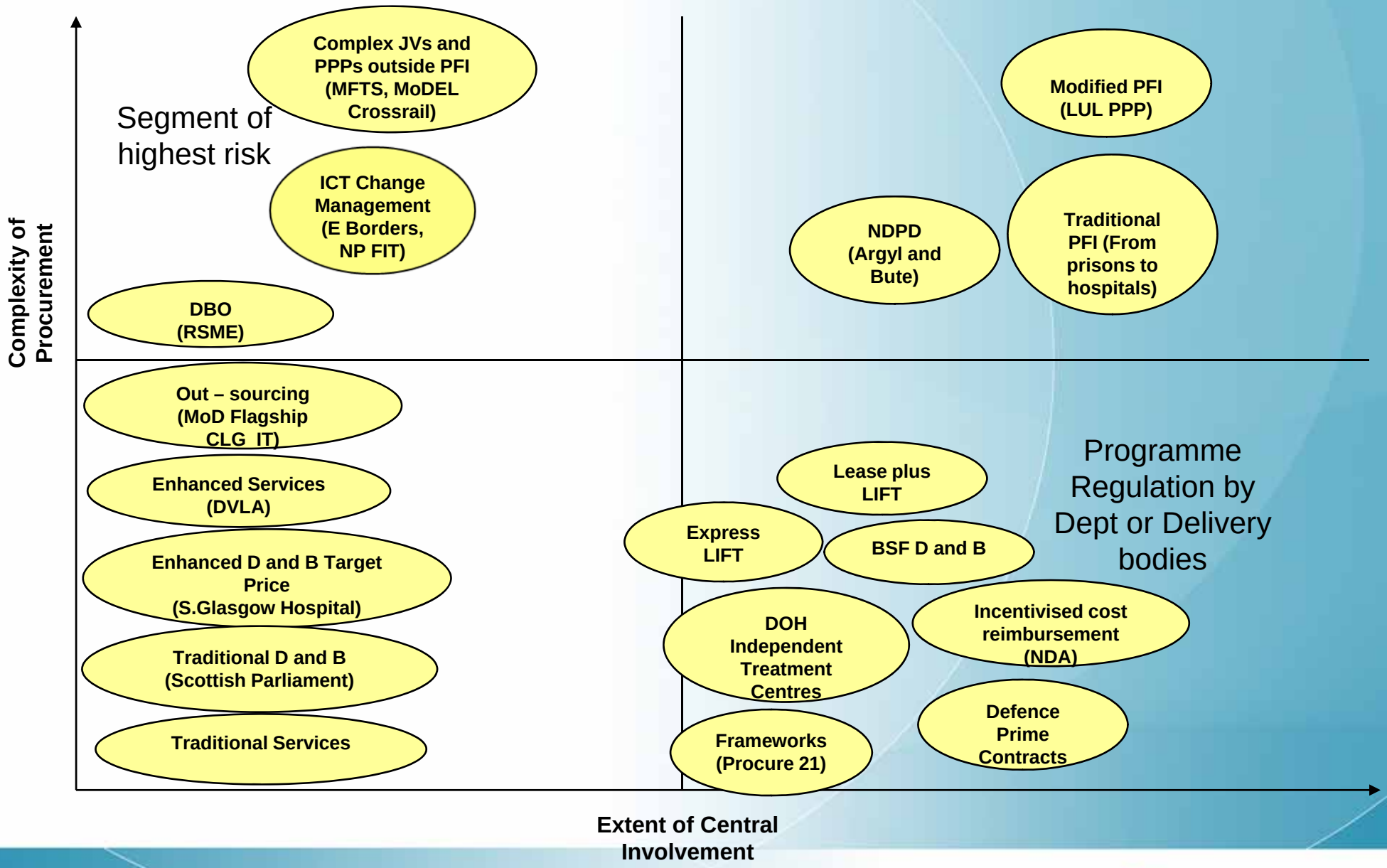
The Future

1. Capital Projects
2. Public Services

The Future – Capital Projects

What is the future of PPPs?

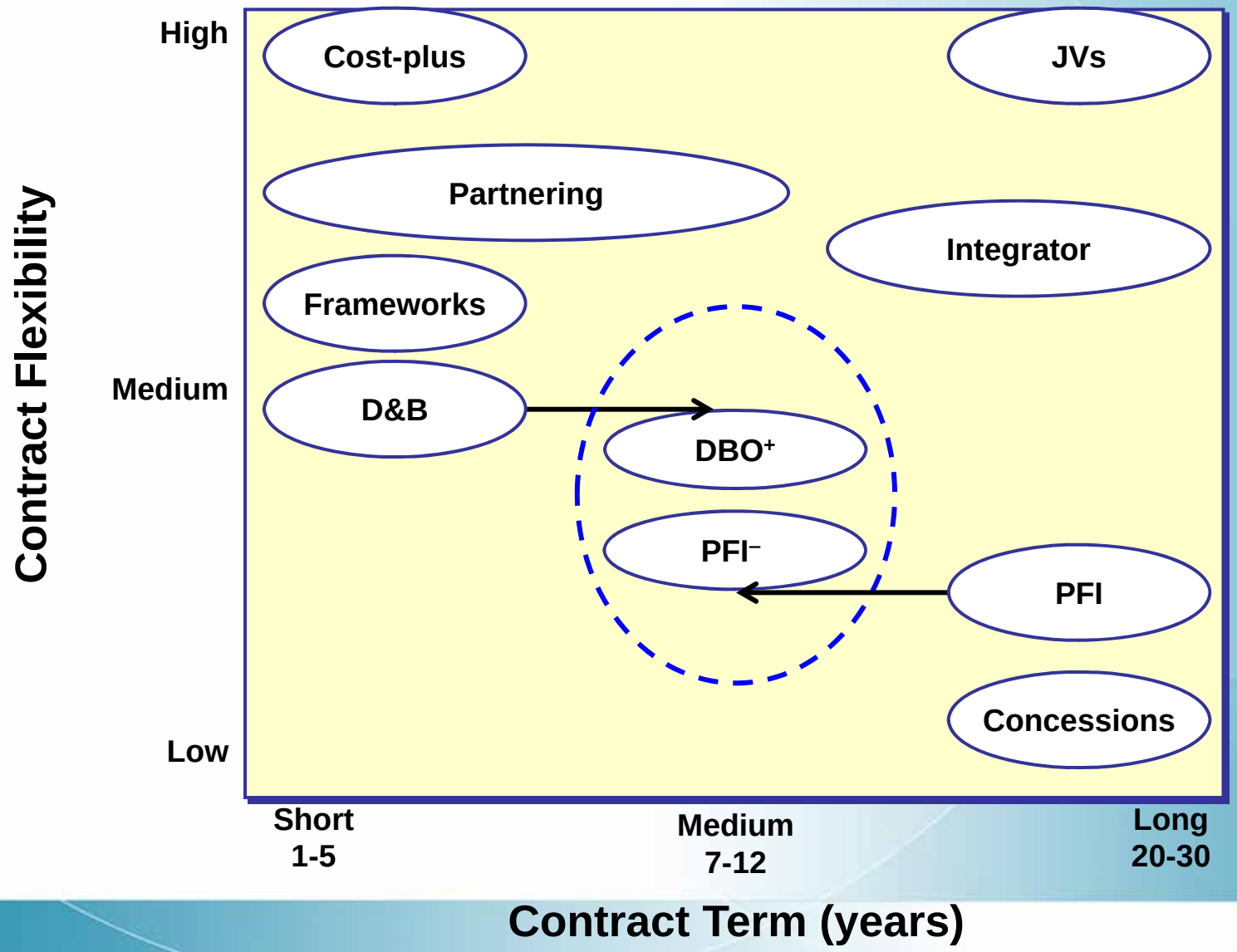
Procurement Models



Capturing the benefits of PPP

- Extended risk transfer
- Whole life cost approach
- Set aside budgets
- Output based contracting
- Management of supply markets

Non PFI Models: Infrastructure Contracting
The Contract Gap

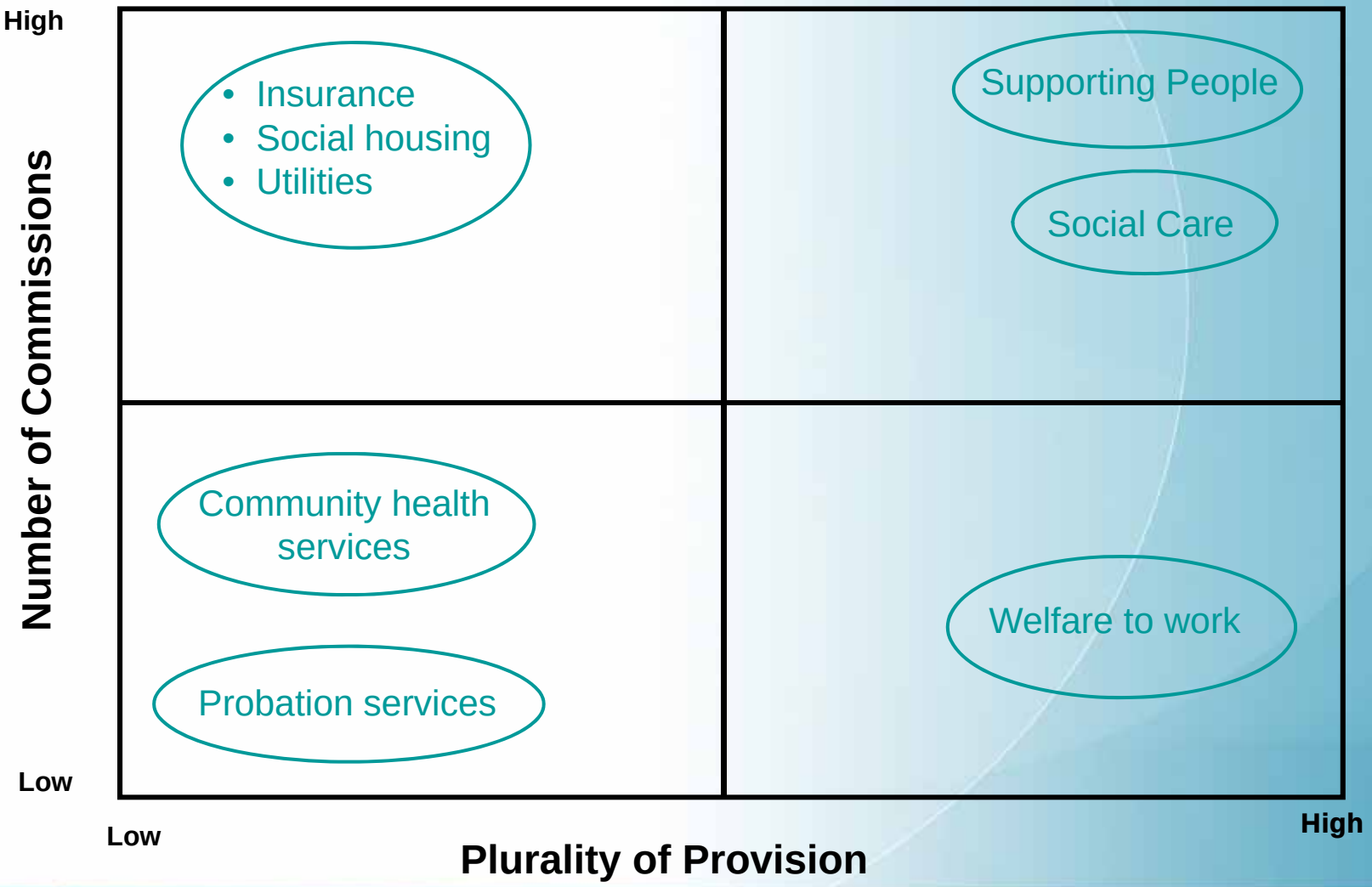


Public Services

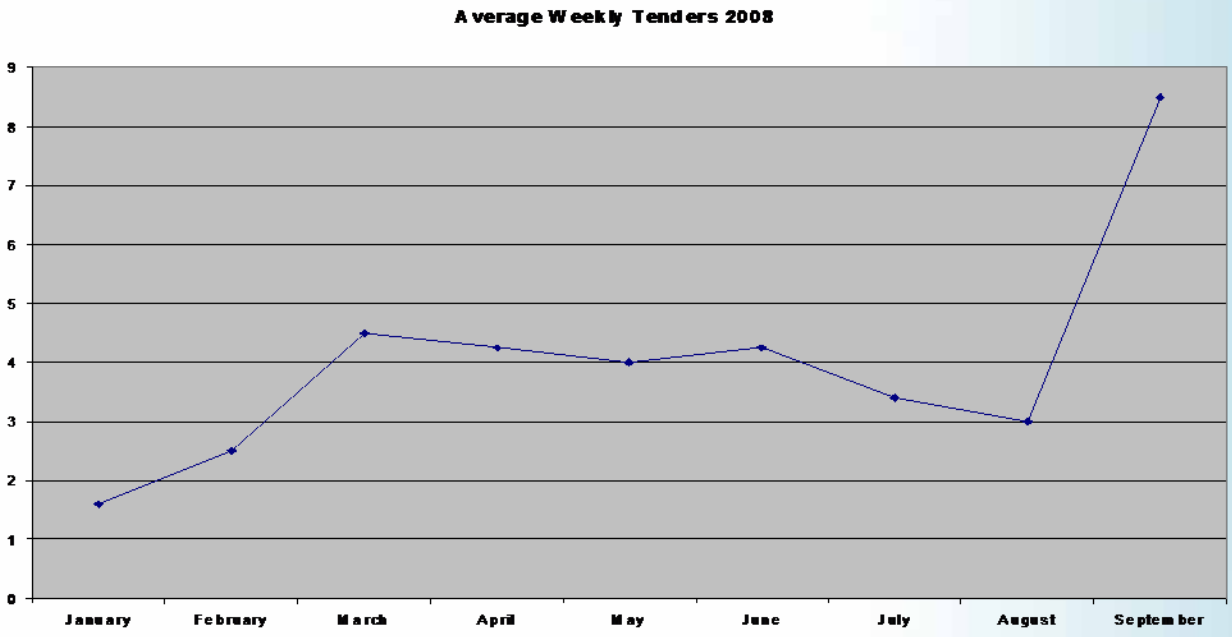
The broader context – The role of the state

- The state operates primarily as the champion of the **user** of public services (the patient, the pupil, the infirm, the offender, the traveller).
- Where the state is involved in **delivery** of public services, it is a “means” to achieving good, stable, value-for-money public services; it is **not** an end in itself.
- A key test of the state’s role in the area of public services is largely **pragmatic** (i.e. is a market operable?). This may be a moving target, as demand and supply dynamics can shift over time.
- Strategic decisions to modify the state’s role in an area of public service delivery can be taken – market building and market development programmes can be **actively** pursued.

Changing market dynamics in public services



What opportunities are emerging – Community Health?



Tenders in Period: July - August 2008	Number	Percentage
Service Lines with more than one tender		
Primary Care	17	27%
Healthy Lifestyles*	7	11%
Mental Health	4	6%
Sexual Health	4	6%
Childrens Services	3	5%
Dermatology	3	5%
Diabetes	2	3%
Prison Health	2	3%
Dental	2	3%
Occupational Health	2	3%
Physio / MSK	2	3%
Eating Disorder	1	2%
Services with single tender	14	22%
Total	**63**	**100%**
Mean tenders per month	**This Period**	**Previous Periods**
	21	**7**

* Healthy Lifestyles: covers smoking cessation, fit for work, weight management

So what will the public sector buy-side look like in the future?

- The distinction between those sourcing public services and those supplying public services should be much clearer and cleaner
- Sector asymmetries should be less prevalent
- Market mechanisms should be sharper and market management and regulatory apparatus more fit for purpose
- Outcome based commissioning should lead to those sourcing public services being less prescriptive about the "**who**" and the "**how**", and more prescriptive about the "what"

So what will the provider side look like in the future?

- A mixed economy
- Public, private and third sectors working together
- Federations of cross-sectoral service providers
- Contractual structures recalibrated to reward <u>outcomes</u>