

**PUBLIC PRIVATE PARTNERSHIP - MANAGEMENT STATEMENT**

Attached for the Committee's consideration are two reports on aspects of the Council's partnership with Mouchel. The reports are the Price Waterhouse Cooper (PWC) Value for Money (VfM) study (**Annex A**) of the Mouchel partnership and an Internal Audit Report (**Annex B**) on the management and governance of the partnership with Mouchel. The reports identify a number of weaknesses in either the operation of the partnership or the way the Council is managing its side of the partnership.

This management statement is intended to facilitate the Audit Committee in its consideration of the two reports by setting out the views of the Corporate Leadership Team (CLT) and the steps it has put in train to respond to the issues raised by the reports.

CLT has put in place actions plans to respond to a range of individual issues raised within the two reports. However, it concluded that even with these improvements, the present contractual arrangements with Mouchel do not provide a satisfactory basis for a productive and mutually beneficial relationship that meets the requirements of Milton Keynes citizens for good quality services and excellent value for money.

CLT has therefore, with the support of the Leader of the Council, launched a dialogue with Mouchel about possible ways in which the strategic partnership arrangements could be refreshed or re-based.

The present arrangements were designed in 2002/03 (in negotiation with what was then Hyder Business Systems) on the basis of a "bundled services" contact, reflecting approaches current at the time in what was then an emerging market. It relies heavily on tightly prescribed output measures (KPIs), some of which have been shown as a result of experience not to match the evolving requirements of the Council, the increasingly varied needs of Milton Keynes citizens and the constantly changing statutory and other demands placed on local authorities by Central Government. The contractual arrangements themselves inhibit flexibility and often lead to protracted and sterile discussions about definitions, "volumetrics" and the like. Since 2002/03 the marketplace in outsourced local authority services has matured considerably, Mouchel has emerged as one of the major players and is currently involved in delivering or negotiating a range of more flexible "strategic partnership" arrangements that provide greater responsiveness, encourage innovative and transformational new ways of doing things and appear to deliver better value for money.

At the Partnership Strategy Board on 2 December 2009, the Council's representatives set out at length their concerns about the operation of the partnership. The Mouchel representatives responded very positively, acknowledging many of the difficulties but also pointing to their experience of reshaping previous contractual relationships, for example at Lincolnshire County Council and Middlesbrough, that had similarly got into the doldrums. The two sides have agreed to draw up a time limited project plan to:

- identify alternative partnership models, drawing on Mouchel's experience in the marketplace
- review and refresh the service specifications for the various services covered by the current contract – with an emphasis on identifying the outcomes required, and
- re-base the whole contractual relationship through a process of “competitive dialogue”, leading in effect to a new contract based around a revised service specification.

The aim would be to create a new strategic partnership relationship in which:

- continuous improvement is integral and ongoing
- VfM is evident
- innovation and transformation are core
- open book arrangements apply
- costs are reduced
- perceived problems are addressed through constructive mutual dialogue.

Mouchel accepted the importance of full Member engagement throughout this process. Once the project plan has been developed, and at other key stages, appropriate authority will be sought from the Cabinet to engage in and pursue this “renegotiation” process. Members of the Audit Committee and/or relevant Select Committees may also wish to be engaged, and that would be welcomed.

Irrespective of how the partnership is reshaped it is essential that the Council makes proper arrangements to be an effective client. This will be progressed alongside, but not held up by, the changes referred to above. Key elements of the changes being introduced are:

- (a) the introduction of a Partnership Executive Board, chaired by the Corporate Director of Finance and Risk Management, to significantly reinforce the current governance arrangements. This Board will have oversight of continuous improvement, conflict resolution, partnership performance and will authorise change controls and variations;
- (b) greater control over ad hoc spend through the partnership. This will be undertaken through the requirement of all additional spend through the partnership to be cleared by the Partnership Delivery Team and, where appropriate, the Corporate Procurement Team;
- (c) overhauling the Partnership Delivery Team and Client Officer functions. It is recognised that it is important to have an adequately resourced and skilled

client team that has the capacity to perform its role. The current arrangements are being examined to ensure that they meet the current and future needs of the Council; and

- (d) A review of each of the Service Level Agreements and their KPIs. A schedule of reviews has been prepared so that over the next 4 months each SLA is designed to meet the needs of a modern service and includes KPIs that are more outcome focused. This work will inform the re-specification of the service requirement to Mouchel.