



Integrated and Integrator Private Sector Partners in BSF

The selection of the Private Sector Partner (PSP) for a Local Education Partnership (LEP) using the competitive dialogue procedure aims to be a vigorous investigation into the competitiveness of the bidders in order to find the most economically advantageous proposal.

The relevant Local Authority will be carrying out the procurement using standard Partnership for Schools (PfS) documents, tailored to reflect local conditions. These PfS documents have been designed to work with whichever of the standard formats, Integrated or Integrator, the PSP adopts. The main features of these two alternative models, and their differences, are outlined below.

PfS has not issued specific guidance on the selection of the PSP, but HM Treasury has recently issued a paper¹ which discusses the use of the different PSP models. However, the HM Treasury paper is not specifically aimed at BSF and the text is therefore general in nature.

Integrated PSPs

Integrated PSPs will bring a preferred supply chain with whom they would work over a number of phases. They tend to be construction companies, unlike the Integrator PSPs which are usually companies that manage projects but don't build them. The Integrated PSP will use this long term supply chain relationship (and high volume of pipeline work) to drive value for money solutions facilitated by the accumulated experience of working together. There could be suspicions of non-competitiveness where a PSP brings a supply chain, but a thorough procurement process should be able to ensure that value for money is achieved. However, the value for money of future projects in later phases may not be as certain, and the HM Treasury guidance advises that future projects should be made subject to market testing.

HM Treasury has identified the following situations as suitable for the use of Integrated PSPs:

- There are successive phases of similar types of work;
- There are multiple local procurers for similar types of project;
- There is certainty over the kind of infrastructure needed, but uncertainty about the timing or exact phases of work;
- There may be advantages from private sector commercial input in the planning phases;
- There is scope over the life of the contract for the partner to increase efficiency through continuous improvement and innovation; and
- There are procurement times and costs that would be excessive if each element of the programme were separately tendered.

Integrator PSPs

Integrator PSPs do not come with a preferred supply chain but would seek to drive value for money by testing the supply chain for each new project. The Integrator PSP would need to ensure that time and resources were not wasted on the recruitment of the supply chain for projects in the future waves. The Local Authority will define the overall strategy and phasing for the wave and will work to refine requirements in partnership with the Integrator PSP. The Integrator PSP would then be responsible for the procurement of the supply chain for the LEP's projects.

HM Treasury suggests the Integrator PSP approach may be suitable in situations where there is:

- Some uncertainty over the long term requirement, with a resulting desire for flexibility;
- Uncertainty about the timing or exact phasing of works;
- A long construction phase and where efficiencies could be derived from dividing the project into distinct phases or parcels;
- Limited competition to provide the entire project as one, but where the project can be divided into separate packages and competition is introduced in the supply chain in a transparent manner; and
- Scope over the life of the contract to increase efficiency through continuous improvement and innovation.

Comments

Bidders falling into either type of PSP category are subject to the same procurement process, thus enabling the Local Authority to make a commercial decision as to which is the most advantageous for their LEP based on comparable data.

Through the competitive procurement process, Local Authorities will be looking for a PSP that has demonstrated the highest quality in the following categories: Partnership Proposals; Value for Money and Continuous Development Proposals; and Proposals in relation to the identified Sample Schools. The investment committee of BSF Investments LLP (the central investment vehicle established by DCFS and PUK) will also scrutinise the bidders' proposals received in response to the ITCD (Invitation to Continue Dialogue) and is required to give formal sign off prior to financial close.

Among various issues, the Local Authority will look to utilise the LEP model by taking advantage of the efficient supply chain management provided by their selected PSP. Bidders will need to be able to demonstrate how their solution will provide for this as an output and set out how they intend to structure and manage their supply chain.

As the Integrator PSP is primarily involved in project development, rather than having a direct role in providing services, arguably it will be better placed to exert commercial pressures on the supply chain to achieve savings. It is generally considered that an Integrated PSP is less able to apply such pressures on the supply chain, and there is potential for conflict of interest. It could therefore be argued that the pricing of future projects is likely to be lower where an Integrator PSP is used because the employment of the supply chain is open to competition. Future projects under an Integrated PSP would not be subject to the same pressures of a competitive market place, so a low price is not as likely to be achieved. Whereas the Integrator PSP is concerned only with

its performance as the PSP in the LEP, the Integrated PSP also stands to gain from the profits of the supply chain.

The inclusion of proposals for sample schools in the bidding process will allow the Local Authority to test competitiveness, while keeping procurement costs reasonable by not requiring bidders' proposals for all schools in the wave. The Local Authority should expect that the PSP will deliver sustained efficiency through the duration of the contract and will meet, or improve on, all the standards set out in the BSF standard documentation.

As well as sample school proposals, the bidding process should enable the Local Authority to find out about the bidders' partnering proposals and value for money and continuous development proposals.

Over time the remit of the LEP, and the overall BSF programme, may expand to include other educational institutions and services currently provided directly or indirectly by the Local Authority. This expansion has already been seen in some BSF authorities. The procurement of the LEP, the drafting in the OJEU notice and later the Strategic Partnering Agreement, will need to reflect possible future changes based on local circumstances, or simply the fact that later phases in the wave are less well defined.

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¹ "Infrastructure procurement : delivering long-term value" – http://www.hm-treasury.gov.uk/media/5/C/bud08_procurement_533.pdf