

Public Private Partnerships - What are the challenges?

Event Summary

A Tuesday evening on 11 November saw a fascinating expert panel discussion on the use of public-private-partnerships (PPPs) in development and regeneration of projects.

The event was organised under the auspices of the ULI Young Leaders. Clare Thomas, Partner at Nabarro welcomed everyone to their new offices and the event while Lucy Barratt, Sustainability Project Assistant from Grosvenor Group, on behalf of Urban Land Institute, gave a brief introduction on ULI. Lucy explained that the ULI was a global, not-for-profit organisation, whose mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide, and its Young leaders, who had organised this event, helped to encourage the next generation of leaders in the industry.

For this event we had three public sector representatives and a private sector moderator with varied experiences and expertise. They included Julian Wain formerly Chief Executive of Gloucester City Council and Strategic Director of Solihull Metropolitan Borough Council; Neil Kirby from Southwark Council formerly Genesis and other London boroughs; Tristan Samuels, Head of Major Projects from Westminster City Council and Marc Franks, Partner at Nabarro who moderated.

Julian kicked off the debate by highlighting three key issues which he believed hindered successful PPP. The first of which was collaboration and the lack of effective collaboration not just between the public and private sectors, but also between the different levels of the public sector and in between the central and local agencies. His second point was a lack of innovation from advisors and agents and lastly the imbalance of viability, funding and risk associated with these projects, especially outside of London, and the need for this to be addressed.

Neil continued to highlight the issue of risk. Having had over 20 years of experience in regeneration, Neil had seen plenty of success and plenty failure. He commented that a feasible solution to this problem would be to simply ensure that the community was 'brought to the table' early on so to share the risk and decision making. This proactive involvement of all stakeholders would then bring credibility to partnerships and help ensure ideas were deliverable and regeneration, in particular, was brought forward, reducing the risk

Tristan, whose professional experience also spanned the private sector in a previous life, was from a construction background, and from then he progressed to a developer before joining the Council. He noted that Westminster collaborated with private developers to benefit from skills set private sector can offer.

When being asked the question why the council did not just sell the land, or develop them by itself, Tristan pointed out that a Council in general would not want to dispose of the land. First, due to the public sector reform and the resulting loss of funding, the Council wanted to hold onto the development to provide a source of continued income to fund frontline services. Second, the council innately had an obligation to hold on to these plots of land in order to establish sustainable communities, in contrast to a private sector who might not have the same long term perspective. However, the public sector was not in a position to take on the

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development risk alone, nor do they have the skills set to develop by themselves hence why they needed to establish functional PPPs.

Agreeing with Tristan about the need for PPPs, Neil said a merger of skills and capacity needs to exist in order to create an appropriate balance of risk but also to ensure revenue to both parties and long-term benefits to the community are also materialised. He instanced the 37-story development at Elephant and Castle in partnership with Lend Lease: the council was getting community benefit such as swimming pool, jobs and affordable housing, and the partnership was also contributing cash to the community infrastructure. If the local authority was prepared to take on more project risk, it could get more benefit in return.

Julian agreed with both Tristan and Neil, that skills and benefits were both important. He also noted that there will always be a political aspect as to whether a PPP scheme might be pursued. There was a lot of bad publicity for PPPs in general, and some schemes, which objectively might make sense, might not be approved because of the way they are presented.

Members of the panel all agreed that transparency between the stakeholders was vital, not only between the public and private parties but with the community too; there needed to be a pronged approach to creating sustainable communities.

Underpinning all of this was trust. Was it realistic to expect any more trust between the public sector party and the private sector party in a PPP, than you might expect there to be between any two commercial counterparties? It was important to establish a clear recognition that all parties were aware of what is expected from each other in this relationship. The panellists all noted developers differed; some played their cards close to their chests, while others were more open. To generalise, there was perhaps a difference between some developers who want a quick entry and exit, and those who were interested in getting more involved in the regeneration and house building, and a longer-term relationship.

The evening ended with brief discussions of sharing best practice and political risk. There was general agreement that sharing of best practice wasn't really happening within public sector, either between councils or within councils. Neil also noted the value of bad practice – there was a lot to learn from deals that had gone wrong. As to political risk, Tristan noted that stakeholder management was key and Neil agreed, noting the relevant community was one of the stakeholders.

The event highlighted that if the private and public sectors could learn to share knowledge and best and bad practice with one another more openly, this could improve the transparency and trust between which two the sectors, something that both sectors would support. Such sharing could be a direct PR benefit to the parties involved, as would help publicise the deals they had been involved in. It might be hoped that such a change in behaviour could be the catalyst to effective consultation and communication between the public-private partnerships which would in turn help smooth out some of the current challenges experienced.

Thanking everyone for their contributions, Marc concluded that transparency, trust, relationship and good PR were always necessary in a good PPP. PPP projects might be challenging, but they were of continuing importance, and everyone needed to work together so they continued to deliver on their potential.

This event forms part of an ongoing programme for ULI UK, led by the ULI Young Leaders. We look forward to sharing further details about the programme with you shortly.

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