The Future of Joint Ventures

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Coverage

Comparing joint ventures with other mechanisms: shared services, trading arms and mutuals; knowing when to procure the private sector.

What is a Joint Venture?

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- A joint venture is a business agreement in which parties agree to develop, for a finite time, a new entity and new assets by contributing equity. They exercise control over the enterprise and consequently share revenues, expenses and assets.

Legal – Joint Venture Agreement

- An association of two or more individuals or companies engaged in a solitary business enterprise for profit without actual partnership or incorporation; also called a joint adventure.

Available options for service delivery

- Cessation or market takeover
- Re-configure in house inc charging and trading or in sourcing skills/expertise
- Partnership/collaboration/JV with private sector – regeneration/Strategic Partnering/trading
- Shared management/back office/front office - procurement and/or delivery
- Shared asset vehicles, shared premises
- Out-sourcing
  - Mutuals or social enterprise

Options for Structures

Companies (shares/guarantee)

Administrative Arrangements ie delegation between authorities

Community Interest Companies

Statutory corporation

Charities

Trusts

Charitable Incorporated Organisations

Industrial & Provident Societies

Partnerships (Limited or Limited Liability)

Contracts

Key Questions

- What will it do ie service delivery/strategic consultancy?
- Outcomes required
- Any assets or just services?
- Short term v long term involvement?
- Profit making / non profit distributing / social purpose / charitable?
- How does this fit with other initiatives?
- Where will the money come from?
- Controlled or with others?
- How will accountability be ensured?
- What about exit?

Who is bringing what to the table?

What do the parties bring?

- Track record
- Political influence
- Assets
- Ideas/innovation
- Skills
- Capacity to deliver & expertise
- Resource (in-house/professional teams)
- Funding (grant, equity, senior debt)
- Risk sharing

Commercial considerations – the foundations

- Identifying agreed outputs
- Identifying “must haves”
- Balance of control
- Funding streams available

“Form follows Function”

Why Shared Services?

- Purpose and intended outcomes will influence nature of collaboration
- Save money?
  - Generate economies of scale
  - Rationalise management of the service
  - Share Assets
- Enhance service delivery/transformation?
  - Invest to save – technology/process improvement
  - Improve citizen experience

Shared Services Models Between Partners

Essential legal foundations - three models:

- Administrative model
  - Joint committee (lead or host?)
  - Delegation to lead authority or officer
  - Secondment
- Corporate model
- Contractual model

Commercial trading through a company

Section 95 Local Government Act 2003

- Doing for a "**commercial purpose**"....any of their ordinary functions
- Not where "required" to do something
- Not where existing commercial activity
- Must be through a Part V company
  - Company or IPS
- Trading Guidance

Or General Power of Competence

But not the only type of company that can trade ...

Evaluate The Options

- Purposes
  - powers follow purposes
- Outcomes
- Markets
- Political / other factors
- Community right to challenge
- Modernising Commissioning Green Paper & Open Public Services White Paper, July 2007
  - revisit procurement policies to prepare for an 'Open Commissioning Strategy'

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