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Press release

New deal will market government professional qualifications

From: Cabinet Office (<https://www.gov.uk/government/organisations/cabinet-office>), The Rt Hon Francis Maude MP (<https://www.gov.uk/government/people/francis-maude>) and Efficiency and Reform Group (<https://www.gov.uk/government/organisations/efficiency-and-reform-group>)

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£500m boost for taxpayers expected from innovative joint venture deal to own and trade on Best Management Practice professional standards.



CAB 044-13

An innovative deal to create the first joint venture business based on government intellectual property was announced today by Francis Maude, Minister for the Cabinet Office. The new company will own and trade on the 'Best Management Practice' portfolio of professional standards developed by the Civil Service. It is expected to boost returns for taxpayers by £500 million over 10 years, and drive growth through exports projected to be worth £600 million over the period.

The portfolio includes the PRINCE2® project management and ITIL® IT services standards which are widely used in the private sector. It generates revenue for the public purse through accreditation of exam institutes and training organisations, exam sales and publications. Capita plc will own a 51% share of the new company. It will bring commercial expertise and enable investment needed to develop the products and break into new international markets. The government will retain 49% to ensure taxpayers benefit as the business grows. This joint venture is a key example of driving innovation in government commercial models – a central commitment in the Civil Service Reform Plan (<http://my.civilservice.gov.uk/reform/>).

Francis Maude said:

“ The state is littered with potential businesses which could be bringing in revenue, creating jobs and driving economic growth. We are committed to getting Britain ahead in the global race, which is why we want to exploit these hidden gems and use the profits to protect our frontline public services.

It's a great endorsement of the Civil Service that major companies use PRINCE2 and ITIL but business expertise and investment is needed to develop them commercially. The new joint venture is expected to save taxpayers half a billion pounds over ten years – none of that would have been saved if the government had left things how they were at the time of the General Election. This partnership shows that business is ready to work with us in innovative ways and paves the way for many similar deals in future.”

Paul Pindar, chief executive of Capita plc, said:

“ We are thrilled to be selected as a partner in this innovative business model that uniquely combines assets and capabilities from the government, Capita, current employees and the ecosystem of the existing and new SME service providers. The commercial, technical and innovation skills that we bring to the JV will help to create a thriving business capable of delivering real value to all parties and releasing a secure and growing income to the government.

We have detailed plans in place to stimulate and support the strong growth of the ecosystem and create a successful and sustainable JV. We will develop the current portfolio including digitising services and introducing experiential learning methods such as gaming and simulation, and broaden both the products and the markets in which they are sold across the UK and worldwide.

The JV will create a strong and growing market for learning, accreditation and examination organisations, with the majority being SMEs, and provide an excellent platform for helping to improve skills and employability. Additionally, the commercial success of the JV will not only be shared by the joint shareholders but also the employees, who will share a performance bonus pot of 5% of the JV's pre-tax profits."

The new company will accredit exam institutes and training organisations to run exams and courses. It will act as an exam institute itself for the Project and Programme Management portfolio, including PRINCE2® products. Professionals using the qualifications will benefit too. The deal includes a strong investment plan to ensure the portfolio grows and remains at the cutting edge. It will also increase international recognition of these standards of excellence.

The deal was brokered in-house by the Commercial Models Team in the Cabinet Office Efficiency and Reform Group, saving significant consultancy costs. Capita will pay the government £10 million up front for its stake. It will pay a further £9.4 million in each of the company's first 3 years. This will enable the new company to invest in growth while current levels of income to the public purse are maintained.

After the third year, taxpayers will continue to benefit from an annual preferred payment of £9.4 million. After these payments, the new company will pay profits to the joint venture partners according to their stake in the business. This means Capita will only receive its share once the government has the amount it would expect without Capita's involvement. While this is an important safeguard, projections show the government income alone will triple to over £30 million per year in just 5 years and will continue to grow.

The company's equity value is expected grow rapidly, with the 49% government share of the new company expected to be worth many times more than full ownership of the intellectual property today. This potentially provides another route to maximise the return taxpayers receive from their original investment in developing the portfolio.

Employees of the new company benefit from a 5% annual profit share to incentivise the team as they build vibrant new business global business.

Notes to editors

1. Capita PLC (<http://www.capita.co.uk>) has been selected as the joint venture partner through a competitive tender exercise. It is one of the UK's largest providers of business process management and integrated professional support service solutions, with 52, 500 staff across the UK, Europe, South Africa and India.
2. The Best Management Practice portfolio (<http://www.best-management-practice.com/>) is currently managed by the Cabinet Office. Publishing, marketing and accreditation services are contracted from the private sector.
3. Rising public expectations coupled with spending cuts mean the Civil Service needs to change to meet the long-term challenges that all economies are facing. The Civil Service Reform Plan (<http://my.civilservice.gov.uk/reform/>) sets out actions to deliver a faster, smaller, less bureaucratic and more unified Civil Service.
4. The Commercial Models Team is led by Executive Director, Ed Welsh, who joined the Cabinet Office in 2012 from Rothschild, where he was co-head of Global Business Services. Equipped with business expertise the team works with departments across government to identify operations which could be run more efficiently and effectively as businesses and broker deals which optimise returns to taxpayers.
5. William Jordan, Executive Director who has been responsible for the portfolio within Cabinet Office, and Duncan Byatt, Crown Commercial Lead in the Cabinet Office are directors of the new company.