



Alternative Delivery Models in Rural Areas

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What We'll Cover

A Background to ADM's

**Current Trends and Sector
Insights**

**Getting the Best From Your
Trading Company**

**The Rural Challenge vs Rural
Opportunity**



A background to Alternative Delivery Models

- With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient whilst delivering value adding services
- The public sector is no longer operated on a solely in-house basis - with most councils seeing Alternative Delivery Models as an option to delivering either public services or their own internal functions.
- New provisions include shared management teams, joint services, joint commissioning and new trading companies
- ADMs can help bring efficiency through better ways of working (e.g. social care integration, waste collection or highways), cost reduction, legal benefits, income generation and growth

What do we mean by Alternative Delivery Models

- Services that are not delivered 'in-house' involve some form of alternative delivery model (ADM):
 - Local Authority Trading Company (LATC)
 - Public Service Mutual (PSM or mutual)
 - Outsourcing (to an existing social enterprise or charity; or to a for-profit provider)
 - Joint venture (potentially involving ownership and control by a range of stakeholders e.g. staff, the council, independent providers)

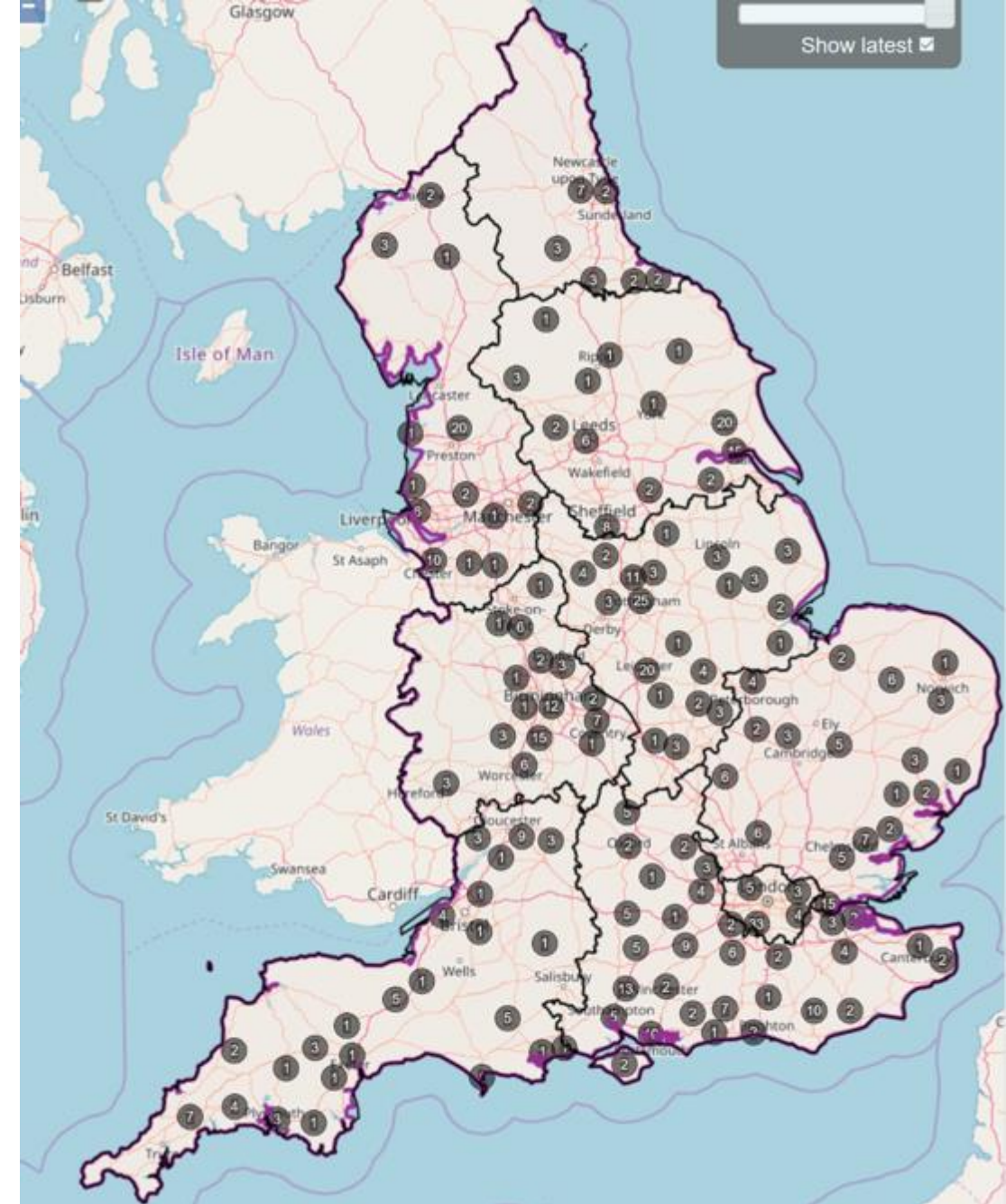
Current trends for local authorities

- Funding gaps are driving councils to seek income generating and productivity opportunities
- A recent survey suggested entrepreneurial activities are increasing. They made up 6% of council budgets in 2013 and respondents believe this will rise to 18% by 2020
- 38% invest money in private sector enterprise
- 62% operate joint ventures with a neighbouring council, as well as 57% with the private and 54% with the voluntary sector



Current trends – shared services

- 2018 figures show that the number of shared services arrangements have increased to over 550 shared service arrangements
- 94% of authorities now share some services with another council



Current trends - trading

- More than half of councils (58%) own a trading company, and a majority of councils (57%) operate a joint venture with the private sector;
- Public Services Mutuals' have a combined turnover of £1.6 billion. 92% of public service mutual (PSM) made a profit in the most recent financial year. On average, they have grown by 50% since launch and 7% in last trading year



Benefits and Opportunities

- When done well, commercial activity and trading companies deliver positive benefits
- Councils raise £11.3 billion through fees and charges each year and £1.1 billion through traded activity.
- Shared services have contributed to taxpayers saving more than £840m cumulative efficiency savings from the many shared service arrangements
- Without this council tax bills would need to be 50% higher
- Without these entrepreneurial activities, eight out of ten councils say they would have to cut services and raise taxes
- Potential to create jobs
- Potential to shape markets and local economy
- Potential to be more responsive and agile for service users / customers / increasing the quality of services delivered

Risks and Barriers

- Services where the Local Authority derive income are increasingly operating in more competitive markets
- Trading Companies are not a silver bullet / panacea
- Commercial Activity requires different skillsets. Mixed picture of commercial capabilities across the sector.
- Lack of focus on the underlying commercial / business model of ADM's
- Lack of meaningful involvement of ADM boards/SRO's in the commercial structure when creating ADM's risks delivery of the business
- Lack of focus over medium term planning / commercial capability
- Governance is important. Not always a clear split between
 - Shareholder role
 - Company governance
 - Commissioner / Contract Management



Crystal Ball Gazing Over the Next 18 Months

- There appears to be an increase in outsourced contracts being insourced and some providers choosing to walk away from local authority market
- From their side - more private sector companies will actively choose not to do business with LA's.
- There is evidence that not all councils commercial ventures are as successful with some choosing to bring services back in house.
- More trading companies and shared services being created
- Increased focus on governance, business models and capabilities as the sector learns lessons of what works and what does not.

Case study: The Norse Group



- **The Norse Group** is a holding company owned by Norfolk County Council with a combined turnover in excess of £250 million. The Group brings together three local authority trading companies providing services to councils, the NHS, emergency services, housing associations, and numerous private sector organisations.
- **Norse Commercial Services Ltd** providing design and procure appropriate services facilities management and monitor outcomes, whilst Norse Care
- **NPS Group Ltd** providing property design concentrates on the delivery of a high and management consultancy, and quality public service.
- **Norse Care Ltd.** provides 26 residential care homes in the form 'housing with care' schemes across Norfolk and employs 2000 staff.

People are key

- A different way of doing things needs different behaviours
- Being commercial, being business-like, being entrepreneurial – call it what you like
- New behaviours require capability, motivation and opportunity to succeed
- Or skill, will and fulfil!
- Strong, brave and consistent leadership
- An approach to risk
- Staff who have an appetite to do things differently
- It's not about training
- Some fresh people with fresh thinking

A structured approach

- You can not just do what others are doing
- You must be clear on your objective
- Local Insight Paramount
- You have to bring people with you:
 - Staff
 - Members
 - Key Stakeholders
- Engagement and Evidence
- Robust Business Case
- Informed Business Plan

Collaboration and Evidence

COLLABORATE - People Matter

Why?

Allows better insight & understanding
Allows time for sense making & starting the change journey together

Which will mean:

Better design
Increased support for change
Successful implementation
Better outcomes



EVIDENCE - Robust Decision Making

Financial - income & expenditure

Performance - quality level & operational factors

Benchmarking - how do we compare to others?

Customers – customer viewpoint

Modelling - what will future demand look like?

Observation - what's actually happening day-to-day?

People - anecdotal evidence can help clarify



Bespoke

Continuous Improvement

Knowledge Sharing

Public Sector Improvement

Rural local authorities – challenges and opportunities

Geography

- Can be expensive to deliver physical services over sparsely populated areas
- You may already have to deliver services where others don't
- think about those services that don't need physical delivery

Workforce

- You may already struggle to sustain your services
- The competition will do so too
- What are the terms and conditions that might make a difference – working from home
- Opportunity to attract new staff

Market

- The social impact on the local community
- Additional demand or just dividing the cake into smaller slices
- Thinking across borders



Source: <https://www.statkraft.com/energy-sources/Power-plants/UK/>

General Tips – be prepared

- Accept risk of failure
- Know the market
- Get the right help
- Have a realistic Business Plan
- Get the right people with the right skills and behaviours
- Know your real costs and beware of short term funding solutions.
- Understand the wider impact
- After implementation – test the benefits are being achieved and
- Don't ignore a problem and know when to quit or change direction
- Do it for the right business reasons



“I think my spell-checker is broken. It keeps changing l-u-c-k to p-r-e-p-a-r-a-t-i-o-n.”