

## Alternative Business Models for the Public Sector

**The BBC survey published on 1 March 2010 claimed that the public sector (in particular local authorities) will have to make cuts to services, as they struggle to cope with the aftermath of the recession.**

No public organisations will want to make potentially arbitrary cuts to services and face a backlash from citizens and partners who use the services every day.

With reduced funding, tough decisions will have to be taken but it is thought that local authorities will look to protect front-line services and look for ways to deliver them better and cheaper.

### More for Less?

To achieve lasting improvements and efficiency savings, an increasing number of organisations are embarking on extensive change and transformation programmes.

Organisations are reviewing and implementing alternative business and service models to increase efficiency and effectiveness in an effort to deliver **'more for less'**. Typically, savings targets are in the region of 10-30%.

There is an understanding that efficiencies must be achieved in conjunction with improved performance and better outcomes for stakeholders. Organisations often need support to review and then implement the most appropriate business model strategies.

### Levers for Change

Common considerations influencing changes in current delivery arrangements include:-

- Uncertainty over future revenues, at local authority level with major impact anticipated in 10/11 settlements.
- Government's Operational Efficiency Programme and Public Value programme have targeted major financial savings (e.g. £5bn in 10/11) through efficiencies and smarter ways of doing business. Total Place promotes cross sector collaboration as a key driver for savings.

- Increasing demand for services by customers, citizens and communities against (reducing) revenue budgets.
- Strategic drive to look at local authorities as brokers and commissioners of services rather than direct deliverers.
- Consideration of who is best placed to deliver services under scrutiny – e.g. internal, external, partner.

### Alternative Business Model options

There is a range of ways that local authorities can deliver services, which commonly include:-

**Internal Transformation** – features the redesign of service/activities currently provided in-house to achieve lasting step-change in performance, cost and customer experience.

**Outsourcing** – is a common route for many local authorities where specific types of change is achieved through subcontracting processes, services or whole operations to a third-party organisation while retaining overall ownership and ultimate responsibility.

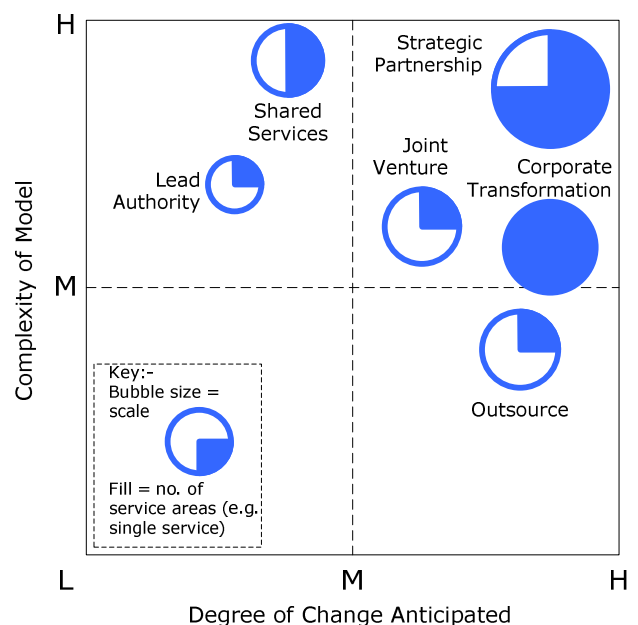


Diagram 1 - Delivery options assessed against change & complexity

**Shared Services** - have existed as a change option for local government for a number of years. This constitutes the merging of services between organisations and can be geared to deliver efficiency savings through reductions to overheads and/or performance improvements.

**Lead Authority Model** - could feature a solely public sector organisation led by the parent local authority or the establishment of a best of breed solution with private sector involvement. The lead authority would establish the vehicle and carry out services on behalf of other public (and potentially private) organisations and would grow its market share through the provision of a particular range of services.

**Joint Venture** - involves the creation of a new company, potentially in the form of a Joint Venture company with a private sector partner, sourced through an OJEU competitive procurement process. The local authority holds a share in the new company and may have senior officer/councillor representation on the board.

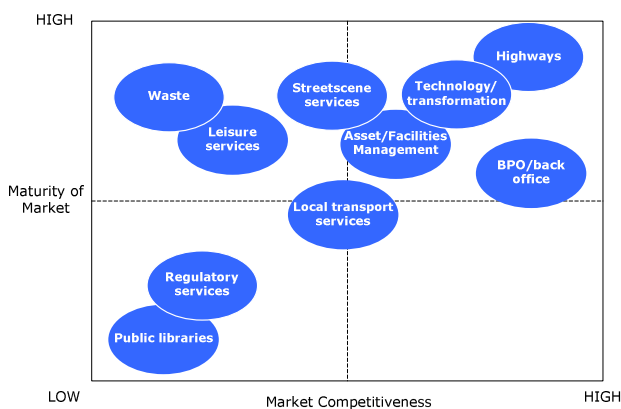
**Strategic Partnership** - is a formal arrangement between a public body and private sector organisation (or consortium) designed to plan and deliver specific long-term transformation objectives and provide services.

**Capability of the Marketplace**

Local government delivers a diverse set of services, using a combination of fully internal resources, collaboration and the use of external providers: public, private and third sector.

In the context of alternative ways to deliver services, organisations need to understand the maturity of the supplier marketplace (i.e. does the capability truly exist?) and whether a premium will be paid over existing service delivery arrangements (i.e. is the model cost effective and can it achieve significant efficiencies?).

An analysis of the common areas under consideration is shown in the diagram below.



**New Models for Public Services**

Public organisations need to take a hard look at what services actually need to be delivered and consider who is best placed to provide those services. Major change is surely a real consideration for public organisations as a means to tackle the spending cuts.

The approach is set out below is an outline of a process that can be adopted to identify delivery more effective and efficient delivery models. This model seeks to identify the best solution for service delivery – whether internal, external or mixed economy and has been commended for its objectivity by local government officers and councillors.



Local government is facing unprecedented demand to make significant cost savings whilst potentially having to deliver more in terms of quantum and quality of services to customers.

A radical approach is needed to deal with the 'more for less' imperative, which may need a fundamental challenge to existing arrangements to identify alternative ways to do business and deliver successful customer, community and partner outcomes.

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