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Tonkiss, Katherine

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Arm's Length Bodies and Alternative Models of Service Delivery

Katherine Tonkiss and Amy Noonan

This article reflects on the Coalition Government's 'alternative models' agenda, specifically in terms of the adoption of new models for service delivery by arm's length bodies. It provides an overview of the alternative models agenda and discusses barriers to implementation. These include practical challenges involved in the set up of alternative models, the role of sponsor departments, and the effective communication of best practice. Finally, the article highlights some issues for further discussion.

Keywords: alternative models, mutuals, public bodies, public services, UK government

The Alternative Models Agenda

The Coalition Government has committed to developing alternative models of service delivery, in order to ensure that public services 'are provided by the most appropriate operational and commercial model; promote service quality and efficiency; and unlock growth' (Cabinet Office, 2013, p.28). This agenda has intersected with the Public Bodies Reform Programme, which is aimed at increasing the accountability, efficiency and effectiveness of the arm's length body (ALB) landscape by abolishing, merging, transferring the functions of, and substantially reforming ALBs. This has meant that some ALBs are being considered as candidates for alternative models.

The Cabinet Office's Efficiency and Reform Group, and specifically the Commercial Models team, is tasked with taking forward this agenda under the leadership of Nick Hurd MP, Minister for Civil Society. Given that austerity measures are driving limited budgets, exploring alternative models is seen as a key way in which organisations across the public sector may deliver greater efficiency. Alternative models present a number of possibilities for ALBs:

- Empowering ALB staff to undertake the activity themselves (outside of the public sector) by way of employee mutualism
- Establishing joint ventures between ALB staff and the private sector
- Moving the activity entirely to the private sector by way of sale/transfer of the ALB's staff and assets to private sector entities/investors
- Outsourcing the activity to the private sector.

(Public Chairs' Forum, 2010, p.4)

At a recent PCF seminar, Nick Hurd restated the case for ALBs to develop alternative models of service delivery, with specific reference to the Public Bodies Reform Programme. While public body reform has sought to improve accountability and savings, the Minister recognised that this had driven a 'them and us' narrative in terms of the relationship between ALBs and Government, where there has been a tendency to focus squarely on the problems that ALBs present, rather than what they might be able to offer in terms of efficiency. The message from Government was clear: efficiency

programmes across Government are not simply based on a desire to make cuts to budgets, but rather to improve efficiency by changing behaviours and cultures – and hence the need to think about alternative ways of delivering services and functions.

Barriers to Implementation

However, the delivery of alternative models is not straightforward, and cannot be seen as ‘a quick fix for an ailing service or a magic wand to ease austerity’ (Yeomans, 2013). A number of challenges associated with this agenda are highlighted in a Public Chairs’ Forum (PCF) publication, based on discussions in 2011. Specifically, the discussion highlighted that:

- Converting organisations into mutual practices is resource and time intensive, and this complexity is increased when property is involved.
- There is a need for clarity early on – with success criteria set from the beginning.
- It can be hard to identify the benefits in terms of risk transfer.

(Public Chairs’ Forum, 2011, p.4)

These challenging complexities surrounding the development of alternative models are further impacted upon by ‘protectivist’ management that can be employed by sponsor departments. The problem of ‘risk averse’ sponsor departments emerges as a key barrier to the realisation of alternative models. Chairs have expressed a desire for Cabinet Office to take a more active role in leading on alternative models and encouraging the cooperation of sponsor departments and ALBs, as well as promoting entrepreneurial behaviour across the public sector.

Effective communication and sharing of best practice examples both within Government and between Government and ALBs are also key challenges. While the Cabinet Office is actively attempting to address barriers to sharing good practice with its work on a benefits realisation framework for public bodies reform, the lack of examples demonstrating the effective adoption of alternative models is seen as a key barrier to the take-up of these models across the public sector. Facilitating such information sharing would help Government and ALBs to better understand when an alternative model would be beneficial in terms of delivering efficiency savings, in order to avoid ‘mutualisation for mutualisation’s sake’ – in other words pursuing alternative models without effective knowledge about whether they will deliver the benefits that are sought.

Improving communications between departments and ALBs is also seen as part of an end-to-end approach which would improve the efficiency of the public sector. Participants at the PCF event talked about ‘innovating with less resources’, but perceived that in order to do so there was a need for far greater partnership working with departments, and a need to share aims and strategies in order to achieve these collectively. It was thought that the Cabinet Office could also assist in this coordination

process, particularly where there are large numbers of ALBs and departments pursuing similar goals.

Conclusion

The alternative models agenda has significant implications for the delivery of services across the public sector, but particularly for ALBs where they are being actively pursued as a natural extension of the Public Bodies Reform Programme. Ministers have expressed as a desire to move on from the rhetoric of abolition to focus on working together with ALBs in order to deliver services efficiently, and this has itself been evident in discussions between Government and Chairs of ALBs through the PCF.

These discussions have led to the identification of a range of barriers to the implementation of alternative models of service delivery. Specifically, these have focused on the complexities involved in adopting an alternative model, the barriers presented by risk averse departments and ALBs, and a lack of effective best practice sharing between ALBs, departments and the Cabinet Office.

A number of avenues for further discussion remain:

1. **How can the complexities involved in adopting an alternative model of service delivery be overcome?** The practical challenges of adopting alternative models of service delivery will need to be tackled by individual organisations with support from Government. Discussions suggest that this will be best achieved through sharing of best practice.
2. **Are there examples of best practice that can be used to inform the alternative models agenda from other areas of the public sector, from past experience, or from international examples?** The relatively new application of alternative models of service delivery to ALBs means that identifying opportunities for best practice sharing is difficult. Government may need to look to other areas of the public sector, for example local government, or other countries to provide these examples.
3. **In a context of very limited resources, how best can problems associated with departmental risk aversion be dealt with?** A climate of austerity means that departments are increasingly risk averse, and are keen to exert more control over their ALBs through, for example, financial controls. This represents a significant challenge to the alternative models agenda which requires the cooperation of departments in driving innovation.
4. **What is the most effective role for the Cabinet Office given these challenges?** The Cabinet Office Commercial Models team has a significant role to play in overseeing the development of alternative models. However, the extent to which they intervene with problems associated with risk aversion and how they

can best tackle the practical challenges of implementing change are open to debate.

5. **What lessons can be drawn from the UK experience of adopting alternative models?** Reforming arm's length bodies and exploring new ways of delivering services, particularly in this age of recession and austerity, is not unique to the UK. While the UK government may be able to use international examples to address the challenges of implementing alternative models, these challenges in themselves highlight to countries considering similar strategies a number of barriers to the effective use of alternative models to deliver more efficient public services.

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Katherine Tonkiss is a Research Fellow in the School of Government and Society at the University of Birmingham.

Amy Noonan is Manager of the Public Chairs' Forum, which is a member led, exclusive information sharing and networking resource for chairs of public bodies.