Commissioning - common service delivery models

Sector	Constitutional form	Broad characteristics	Opportunities	Limitations	Finance - implications	Legal/Staff/Procurement requirements	Governance	Could suit:	Decision making requirement
Civil Sector	**Co-operatives**	A business organisation owned and operated by a group of individuals for their mutual benefit; May also be defined as a business owned and controlled equally by the people who use its services or by the people who work there. Example - Spa Credit Unions, Worker's Co-operatives. Co-operative Directory for the SW - http://www.uk.coop/directory/rcc/S_West	A way for people to collectively 'do it for themselves'; They draw the knowledge, skills and expertise that diverse members bring; Providing employment for local people; Working with LAs to deliver public services can provide a consistency of demand for services.	Must ensure that entire income stream is not reliant on a single contract (i.e. from the LA); A barrier may be financial and structural along with a general lack of understanding of the social enterprise business model among financiers and commissioners.	Can receive charity exempt status. Filing requirements dependent on chosen structure.		Democratically owned and run, giving members real control over the direction of their enterprise and allowing them to contribute to the success of the business.	An LA wanting to inject innovative approaches and fresh thinking into traditional ways of conducting business in the public sector.	
Civil Sector	**Social Enterprise**	Social enterprises are businesses with primarily social or environmental objectives. Their surpluses are reinvested in the business or community, rather than being driven by the need to maximise it for shareholders and owners. Example - Lodsworth Larder - http://www.lodsworthlarder.co.uk/ Social Enterprise Coalition - http://www.socialenterprise.org.uk/	A way for people to collectively 'do it for themselves'; They draw the knowledge, skills and expertise that diverse members bring; Providing employment for local people; Working with LAs to deliver public services can provide a consistency of demand for services.	Must ensure that entire income stream is not reliant on a single contract (i.e. from the LA); A barrier may be financial and structural along with a general lack of understanding of the social enterprise business model among financiers and commissioners.	Filing requirements dependent on chosen structure.		Democratically owned and run, giving members real control over the direction of their enterprise and allowing them to contribute to the success of the business.	An LA wanting to inject innovative approaches and fresh thinking into traditional ways of conducting business in the public sector.	
Civil Sector	**Charitable Trust**	The formal 'trust' format; Assets held by a body of trustees for the benefit of agreed beneficiaries. Example - Cadbury - http://www.wa-cadbury.org.uk/Page.asp?id=35	Can be established by anyone who wishes to dedicate a portion of their assets to charity; Possible to secure significant tax exemptions; Assets are being put to constructive use;	Cannot start legal action, borrow money, enter into contracts in its own name; The officers can be personally liable if the charity is sued or has debts; Provides opportunities to compete for contracts from other LAs/agencies to generate revenue streams.	Charitable status - minimum 80% relief on NNDR and exemption from Corporation Tax, Capital Gains Tax & Stamp Duty. Special VAT exemptions in some circumstances. Gift aid for investors. Annual income/expenditure returns need to be filed with the Charity Commission.	Not a separate legal entity; Legally considered to be a charity in and of itself;	The body's members to take full liability for all contractual or financial responsibilities;	An LA rooted in the community, open and transparent in their dealings, highly accountable for their actions, high standards embedded.	
Civil Sector	**Community Land Trust (CLT)**	A corporate body holding property for the purposes of the community rather than for private profit, and offering the opportunity for members of the local community to become involved in its governance; Its property represents fixed assets to be held in perpetuity for local use; Its profits must be used to benefit the community, other than being paid directly to its members (if a CIC); Its purpose is to facilitate locally-driven long term and affordable development – providing regeneration, conservation, or cultural benefit locally. Example - Land for People - http://www.landforpeople.co.uk CLT Network - http://www.communitylandtrusts.org.uk/home; CLT Fund - http://www.cltfund.org.uk	Can access loan finance, mortgage land assets and hold reserves; Free to extend membership to private and public sector organisation; Can work across domain boundaries; Are likely to support collaborative, cross-agenda approaches to local issues & concerns, and work positively across the public, private and third sector; Their statutory recognition provides confidence to parties; They qualify as bodies that the HCA deal with and therefore associated with the key programmes delivered by CLG; They cannot be sold but are able in principle to assimilate other models and scale up.	In principle the democratic format could discourage the scaling up of activity beyond local area; If they take charitable status their restriction on the distribution of profit reduces the appeal of collaborations to the private sector; If they take CIC limited by share status, they restrict the fiscal benefits they can receive from Treasury.	Will generally take the form of a CLG or IPS		Its governance is flexible - it can choose to establish as a charity or a CIC and take on additional regulation - and its tax position depends on the legal form it uses; In addition to an asset lock protecting its property, a CLT is required to have a democratic membership.	An LA interested in furthering a policy programme of community asset transfer and participation in decision making and strengthening community influence in political processes; An LA interested in developing a private finance initiative (PFI) whereby the CLT would take ownership of the freehold and lease out the facility to the PFI provider for the duration of the agreement.	
Civil Sector	**Company limited by guarantee (CLG)**	Companies Limited by Guarantee are usually non–profit organisations such as charities, clubs and associations; Emphasis is normally concerned with the provision of a service for the benefit of the public or a specific section of it. Whilst a company limited by guarantee might actively seek to maximise its revenues through donations, subscriptions or sponsorships, it would also seek to apply such funds in relevant projects; In situations where a company limited by guarantee has more income than expenses, the excess is referred to as a surplus and not a profit; Example: An Arms Length Management Organisation.	Eligible for certain grants; Eligible for most social enterprise funding; No restrictions on reserve holdings; No restrictions on trading or borrowing against assets. Flexible and commercial; Attractive to newly independent organisations; Flexible for private sector partnerships; Directors are performance accountable.	Ineligible for much grant funding; Prohibition on profit distribution could reduce appeal for private sector; No asset locks reduce security for LAs; No independent regulation reduces security for LA; Possibility of ineligibility for some professional standards i.e. Accreditation;	Private sector investors may be eligible for Community Investment Tax Relief (CITR) in certain areas and sectors. Accounts & annual return to Registrar of Companies.		Despite qualifying as a NPDO – thereby forming to all intents and purposes a charitable vehicle – it is only subject to the light touch regulation of Companies House. (NDPO = Non Profit Distributing Organisation)	An LA looking for a model that enables its devolved service to commit to public benefit but to achieve significant improvement and become financially self sustaining before becoming constrained by regulation.	
Civil Sector	**Charitable company limited by guarantee (CCLG)**	CLGs are usually non–profit organisations such as charities, clubs and associations; Emphasis is normally concerned with the provision of a service for the benefit of the public or a specific section of it. Whilst a company limited by guarantee might actively seek to maximise its revenues through donations, subscriptions or sponsorships, it would also seek to apply such funds in relevant projects; In situations where a company limited by guarantee has more income than expenses, the excess is referred to as a surplus and not a profit	Eligible for grant funding; Tried and tested (Trusted) model; Risk averse; Protects the liability of trustees; Flexibility subsidiary structures.	Unable to hold significant financial reserves; LT vulnerability / ST restrictions; Does not support collaborative working; Unpaid Board / No quality of leadership required/ less accountable Board; Restricted from non-charitable commercial activity.	Charitable status - minimum 80% relief on NNDR and exemption from Corporation Tax, Capital Gains Tax & Stamp Duty. Special VAT exemptions in some circumstances. Gift aid for investors. Must file annual accounts with both Registar of Companies & Charity Commission.		More fixed governance provisions than CIOs; No flexibility for welcoming external stakeholders within governance structure; Subject to dual regulation by Charities Commission and Companies House.	An LA in a highly philanthropic area; An LA subsidising a private/public venture	
Civil Sector	**Charitable incorporated organisation (CIO)**	New corporate vehicle subject only to regulation by the Charities Commission; The CIO is expected to be **an option available for charities** in late spring 2011. The introduction of the new model will be phased in to manage what we expect will be high demand by charities.	Reduces bureaucracy; creates a more flexible charitable format similar to that of the company format.	An untested model	Charitable status - minimum 80% relief on NNDR and exemption from Corporation Tax, Capital Gains Tax & Stamp Duty. Special VAT exemptions in some circumstances. Gift aid for investors. Annual income/expenditure returns need to be filed with the Charity Commission.		Subject to fewer fixed governance provisions and offering more flex for merger and reconstruction, with less liability (the CIO will not to be penalised for the conduct of its directors)		
Civil Sector	**Industrial Provident Society (IPS)**	An IPS is a society conducted for the benefit of a community. It is primarily a corporate body which can hold charitable status - setting it apart from other charitable structures because its aim is not simply to provide public benefit but to produce a definable value and to generate income.	Effectively combines charitable status and risk-averse regulation with a model designed to generate income; Democratic management of assets can embed change within an organisation; Strategic-level transparency of entrepreneurialism; Supports investment in skills and staff development.	Set up costs can be high; do not support collaborative working as much as competition; old fashioned administrative and regulatory structure [compared with CCLGs];largely unfamiliar within cultural sector; Many leisure trusts have devolved into IPSs but the structure is an archaic one and it is anticipated that the CIO will offer a better alternative for corporate charities.	Historical light touch FSA regulation; Accountability for Community Benefit Societies will increase when required to register with the Charity Commission [from 2010].	An LA interested in using its annual subsidy as an investment to generate a growth social enterprise business that supports community ownership, empowerment and engagement in political processes. An LA interested in creating a cross-domain leisure and cultural services trust capable of earning significant revenues to reinvest in its own development and reduce the need for local authority investment over time.			
Civil Sector	**Limited Liability Partnership (LLP)**	A body corporate with a legal personality separate from that of its members, the LLP is a hybrid entity combining the advantageous tax characteristics and organisational flexibility of a partnership with limited liability for members. 'Unlimited capacity' – i.e. no restrictions on any activities. Cannot lose more than they invest.	Taxation applied as a partnership; no restrictions on reserve holdings; Joint venture/ brings stakeholders inside a partnership - aligns interests; Protection of limited liability for members; Appeals to private sector through tax, dividend and contracting; Appeals to public sector through share restrictions or regulation.	No NNDR (National Non domestic Rates) exemptions; Ineligible for grant or social enterprise funding; Less direct opportunity to fulfil community engagement and empowerment agendas; Lack of security provided by asset lock; Possibility of ineligibility for some professional standards i.e. Accreditation.	Subject to same audit requirements as limited companies. Partnership Tax Return must be completed for HMRC. Corporate partners will be subject to Corporation Tax. A LLP cannot be part of a group for tax purposes. Normal VAT rules apply. Potential impact on partial exemption.		LLPs are governed by the LLP Act 2000 and are subject to light touch regulation by Companies House; Governance is a matter of member choice, with no requirement for directors, board structures or management structure; Members have a joint responsibility to divide the running of the business/ no individual responsibility for each other's actions;	An LA in a deprived area or with services requiring high capital investment and wishing to contract out services to private partners in a PPP; an LA wishing to donate profits earned from LLP membership to other services and claim gift aid.	

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Civil Sector	**Community Interest Company (CIC)**	CICs are limited companies created for organisations that wish to conduct a business activity for community benefit; They may engage in trading and, with approval, borrow against their assets.	Eligible for most grant funding; Can access loan finance and hold unrestricted reserves without intervention; The structure supports enterprise; Appeals to private sector collaborators because of ability to pay dividends, reward loans and contract out services; Reliably regulated; Capital and asset lock - prevents cultural property being used wrongly; Board members can be paid so are accountable and performance managed.	Offers limited philanthropy; Shareholders can vote to change its purpose - market flexibility, however need to safeguard cultural holdings.	Private sector investors could be eligible for EIS relief. Must file accounts, annual return & a community interest company report with Registrar of Companies.		Structure enables multiple shareholders at governance level - therefore underpins both collaborative working across private, public and third sector, and community engagement.	An LA interested in actively enabling regeneration in deprived local areas; An LA able to broker strong relationships and partnerships between a thriving local private sector and its third sector / cultural sector direct delivery services; An LA interested in empowering small and specialist services to become fit for full devolution.	The Community Interest Companies regulator will consider whether applications meet the criteria to become a Community Interest Company. If satisfied, the regulator will advise the registrar in Companies House who, providing all the documents are in order, will issue a certificate of incorporation as a Community Interest Company. Source: http://www.awics.co.uk/documents/briefing_papers/economic_development/Community_Interest_Companies__15-12-2007.pdf
Civil Sector	**Volunteering/ Resident & Tenant Associations/ Community groups**	A Residents' Association is a local group, made up of local residents (tenants and/or homeowners) who represent the interests of everyone living in a particular area or building. Some associations come together to address one specific issue or community event (Royal Wedding!), while others hope to address a wider spectrum of matters. A few British residents' associations have registered as locality-based political parties to enable them to participate in local elections at district and county council level.	<u>Residents -</u> getting to know neighbours; sharing ideas and local information; becoming more involved by having a greater say about decisions relating to their neighbourhood; meet new people; learn/update skills; gain confidence in dealing with local and community issues; speaking to local authority, Police etc and be taken more seriously as a formal group; accountable to local residents; increased access to training and networking opportunities; access to funding i.e. Lottery and government grants; <u>Local Authority -</u> Understanding community needs and wants; satisfaction with local area; community involvement; empowering the sense of community.	Issues may arise when residents don't wish to address issues formally - the RA would need to have increased contact with residents if covering a large area of the town and be proactive when issues arise to ensure they are addressed formally.			Not governed by any legal requirements (unless becomes a limited company or charity); adoption of a Constitution is recommended. Election of strong a Chairperson to guide and focus the group; also Vice-Chairperson, Secretary, and Treasurer and committee members; need to set out your aims and stating that the group is open to all residents; account for all decisions (minutes of meetings/record and publicise expenditure etc).		
Public	**Arms Length Management Organisation (ALMO)**	Involves a local authority setting up a private limited company to run a particular council service. The local authority – at least at the start – is the sole shareholder – but the company is run at 'arms length' from the council. ALMOs running leisure, social services and other council functions have been around for a few years. ALMOs have a Company Board – usually made up of one third councillors, one third 'independents' and one third tenants. All board members have a legal obligation to put the interests of the company before any other loyalties. Not-for-profit. A Company Limited by Guarantee. Example - Cheltenham Borough Homes http://www.cheltborohomes.org.	When set up the council will still own the assets but it will transfer the management to the ALMO. ALMOs can be used for the whole, or part, of the council stock/service. LAs retain overall control of the performance and strategic direction of the ALMO. If an ALMO is not deemed to be a success, the relevant LA is able to wind it up and take management back in-house provided stakeholders have been fully involved in, and support, the decision. Separation of strategic and management roles. - Separation from the council allows staff to focus purely on service delivery. Customer focus.		Transactions between an ALMO and its Council are not considered to be trading, and are therefore exempt from Corporation Tax. Trading activities subject to Corporation Tax.		An operates under the terms of a management agreement set out by the authority; headed by an effective Board demonstrating sufficient expertise.		
Public	**Asset transfer - Jo to confirm detail**								
Public	**Large Scale Voluntary Transfer - social housing**	LSVT involves the Local Authority transferring the ownership of its stock with the agreement [of the tenant]. Key features (housing): • Transferring tenants are offered benefits such as rent guarantees, stock investment programmes and rights as 'assured tenants'. • Transfer price is determined by 'Tenanted Market Value' • The new landlord must be a Registered Provider if funding is to be secured. • Transfers are funded entirely by the private sector.	*Social Housing*: Affordable rents, Good quality service provision, Secure budgets for ongoing repair and maintenance and Provision for the homeless and other housing needs, The government is keen to see such transfers take place because it enables investment to be made in improving the housing stock without calling on public sector housing budgets or putting pressure on the public sector borrowing requirement.; *Investment*: Completion of major repairs, Provision for modernisation and Investment in new housing including achievement of the decent homes standard *Tenants*: Protection of existing rights and overall security, Rent guarantee and board representation.	• After a large-scale voluntary transfer the council is no longer a landlord, but it retains significant housing responsibilities. It is still the strategic housing council. They must also monitor and co-ordinate services delivered by many different organisations so that they are seamless to tenants and other service users. • The controlling body of the new landlord is not democratically elected.	"The basis for valuation for a LSVT is Tenanted Market Value. This values the stock as social housing, assuming affordable rents and good standards of maintenance. It does not reflect either the value of the 'bricks and mortar' or the market value, and is usually less than either of these values...The council is paid the tenanted market value for the housing stock by the registered social landlord, and usually uses the proceeds to repay debt. If the 'tenanted market value' is more than enough to repay housing debt, the council may spend the rest on investing in other services such as leisure or economic development. Sometimes the tenanted market value is lower than the level of debt that the council has outstanding from building and improving the housing stock. This situation is called 'overhanging debt' and in these instances the council must ask the government to fund the difference." Source: www.awics.co.uk				
Public	**Shared Services**	Two or more LAs jointly run/manage services together; Scope can be informal or formal.	Can be service specific; Likely to be cheaper and quicker to establish this model than a trust for example; Can create jobs; Ability to bid for external work – generating income; Givies the councils stability and taxpayers better value for money; Identity of the councils is retained; Each council will work to its own corporate plan which drives forward priorities and business.	Workforce and HR implications [if not handled well] – job role may change/ number of roles may be reduced etc; Brings risk, complexity and ambiguity; that can generate confusion and weaken accountability;	A framework of relationships and accountabilities must be established so that members, officers and other nominees can understand what is expected of them.	An LA wanting to maintain and create better services for all district's residents.			
?	**Joint Venture**	A joint venture is when two or more businesses pool their resources and expertise to achieve a particular goal; Reasons you might want to form a joint venture include business expansion, development of new products or moving into new markets; Success in a joint venture depends on thorough research and analysis of aims and objectives. This should be followed up with effective communication of the business plan to everyone involved.	The risks and rewards of the enterprise are also shared. A joint venture could give you more resources; greater capacity; increased technical expertise; access to established markets; distribution channels	Partnering with another business can be complex. It takes time and effort to build the right relationship. Problems are likely to arise if: The objectives of the venture are not totally clear and communicated to everyone involved; The partners have different objectives for the joint venture; There is an imbalance in levels of expertise, investment or assets brought into the venture by the different partners; Different cultures and management styles result in poor integration and co-operation; The partners don't provide sufficient leadership and support in the early stages.	Dependent on chosen model.		Set out the terms and conditions in a written agreement (may also need other agreements including a confidentiality agreement) to prevent any misunderstandings once the joint venture is up and running. A written agreement should cover the structure; the objectives; the financial contributions; whether you will transfer any assets or employees; ownership of intellectual property created by the joint venture; management and control; how liabilities, profits and losses are shared; how any disputes between the partners will be resolved; an exit strategy.		
Private	**Company limited by shares (CLS)**	One or more shareholders who own the business: they are thus entitled to any profits generated by the company;			Subject to Corporation Tax. Tax exempt Public Sector shareholders will get no refund or credit for tax paid by company on gains. Can take advantage of group tax reliefs. Normal VAT rules apply. Potentially private sector investors could benefit from Enterprise Investment Scheme (EIS) & CITR. Accounts & annual return to Registrar of Companies.		Most CLSs use standard (or a slight variation to) Table A memorandum and articles of association to set out a basic constitution for the business and generally permit it to carry out any legal activities in the furtherance of its profit objectives.		