



Annex A - Delivery Models – Risks and Benefits

Industry Guidance

Local Partnerships, a public sector consultancy that provides support to local authorities, has produced the following guidance:

Alternative Delivery Models – Guidance for Contract Managers¹

This sets out the range of delivery models that are available to local authorities when delivering services, and highlights that is good practice to revisit the delivery model periodically over the life of a service, as well as at key points:

- When new council services are established
- Where a significant new development to an existing service has been identified (for example a technology requirement)
- Where there is a need to re-evaluate the delivery model of existing services, for example due to a contract ending.

The risks and benefits of three of these models have been reviewed, one of which relates to the current model used by the Council i.e. service delivery via a local authority company.

- In-house delivery
- Local authority company
- Outsourced contract

¹ <https://localpartnerships.gov.uk/wp-content/uploads/2024/11/14.-Alternative-Delivery-Models.pdf>

These risks and benefits are described against the review criteria set out in the Guidance:

- Strategic fit
- Legal and financial
- Governance and risk
- People and assets
- Commercial
- Stakeholders
- Skills and capability

Inhouse Delivery

Criteria	Risks	Benefits
Strategic Fit		<ul style="list-style-type: none">• Strong alignment of corporate priorities as services are commissioned and provided by a single organisation
Legal and financial		<ul style="list-style-type: none">• Legal and financial structures exist within the council
Governance and risk	<ul style="list-style-type: none">• The council retains all risk and responsibilities	<ul style="list-style-type: none">• Council retains full control
People and assets	<ul style="list-style-type: none">• LGPS pension costs continue	
Commercial	<ul style="list-style-type: none">• Local authority governance and transparency requirements may limit commercial development in some cases	
Stakeholders	<ul style="list-style-type: none">• Limited benefits of scale or sharing of resources and expertise, although a wide range of options for external networking	<ul style="list-style-type: none">• Focussed group of stakeholders related to service users (residents and businesses) and members/ officers of the council.
Skills and capabilities	<ul style="list-style-type: none">• Where services are focussed on a single council, this may limit the ability to recruit and retain key staff members	<ul style="list-style-type: none">• Council retains expertise in their local area and can integrate functions across a wide range of services

Local Authority Company

Criteria	Risks	Benefits
Strategic Fit	<ul style="list-style-type: none"> Some potential for loss of control to directors whose primary duty is to the company, not the council. 	<ul style="list-style-type: none"> Alignment of corporate priorities can be achieved through the annual setting of a company business plan, which is reviewed/approved by the council
Legal and financial	<ul style="list-style-type: none"> Separate governance needs to be set up and maintained to manage the independent company, incurring costs and draws on resources 	
Governance and risk	<ul style="list-style-type: none"> Some risks and liabilities may be ringfenced, but council still retains reputational risk and there is no financial risk transfer Can be challenging to monitor performance in a fully commercial way due to lack of financial risk transfer 	<ul style="list-style-type: none"> Council retains control, as shareholder to the company
People and assets		<ul style="list-style-type: none"> The company is free to employ its own staff
Commercial		<ul style="list-style-type: none"> Flexibility to amend the service contract and transform services Commercial focus on business plan and goals
Stakeholders	<ul style="list-style-type: none"> Stakeholders include service users and member/ officers of the council, in addition to the key representatives of the company 	
Skills and capabilities		<ul style="list-style-type: none"> The company may be more attractive to experts due to the industry focussed nature of the services delivered

Outsourced Contract

Criteria	Risks	Benefits
Strategic Fit	<ul style="list-style-type: none"> Larger potential for loss of control as the waste management company will be delivering services to multiple customers across a large area, splitting their focus 	<ul style="list-style-type: none"> Alignment of corporate priorities can be controlled but control may be more formal and structured in nature
Legal and financial	<ul style="list-style-type: none"> External service providers will find it challenging to submit bids, or will include a "risk premium" if services cannot be well-defined and specified, with clear target outcomes or if requirements are highly changeable and may be subject to frequent policy reviews 	<ul style="list-style-type: none"> The competitive nature of the procurement should ensure the most economic price Scope for investment in the service from the partner
Governance and risk	<ul style="list-style-type: none"> Potential concerns over loss of direct control of service and risk of becoming "locked in" with a single provider. 	<ul style="list-style-type: none"> Wide range of risks are transferred including financial risk (reputational risk is retained by the council)
People and assets		<ul style="list-style-type: none"> The company is free to employ its own staff The company may have a range of assets available to support service delivery
Commercial		<ul style="list-style-type: none"> Flexibility to amend the service contract (via contractual means e.g. variation procedures)
Stakeholders	<ul style="list-style-type: none"> Stakeholders include service users and member/ officers of the council, in addition to the key representatives of the company. Depending on the company this network could be extensive/ time consuming to maintain 	
Skills and capabilities		<ul style="list-style-type: none"> The company may have a waste focus, and be able to attract and retain high quality staff, and deliver innovation They may have a wide range of inhouse services that can provide support e.g. planning, permitting, brokerage etc.

Conclusion

Each of the described delivery models can be seen to have a range of risks and benefits. All these models and more are used across England to deliver waste collection and related services, and exemplars can be found in each category of delivery model.

It is identified that the key benefits of using a local authority company such as Ubico are the retention of control and the ability to transform services within the partnership framework. This is beneficial at a time of change such as this being experienced due to LGR.