



Centre for
Public Service
Partnerships

alternative sources of financing for public services

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24th March 2011

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Why now?

- Major public expenditure cuts
 - revenue and capital
- Growing demand for public services
 - demographic changes
 - rising unemployment
 - public expectations and needs
- Changing relationship between the citizen and state
- Wider government agenda of smaller state
 - “Big Society”



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Some core principles

- Equity
- Fairness
- Entitlement
 - including service quality and safety
- Responsibility
 - individual and collective
- Accountability
- The balance of tax, charges and expenditure

Charges and co-payments

- Nothing new
- No consistency between services and sectors
 - e.g. social care and health care
 - can lead to perverse institutional behaviours
- Need to understand
 - elasticity of demand
 - affordability for users
 - implications of lower demand
- Use to “nudge” behaviour and control demand
- Who decides level of charge and who pays



Co-payments - opportunities and issues

- Mean testing or universality?
- Service enhancement and/or funding public sector short falls
- Personalised services – top ups or not?
 - majority of care services self-funded
 - charges set by provider or commissioner
- Local collectivism and equity
 - e.g. parish council precepts
 - neighbourhood funding

Alternative sources of capital

- Prudent borrowing
- Levering value of public assets
- “Total Place” approach to public assets
- PFI
- New models of PPP
 - including joint venture
- Social investment
- Social impact bonds



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Social finance – sources?

- “Big Society Bank”
 - wholesale with intermediaries
 - limited funds
- Various government schemes
 - e.g. SIEF Community Builders
- Social Finance, Bridges etc.
- Philanthropic investors
- Foundations
- Banks and other investors
 - post-Merlin era



Social finance – some issues

- Principally aimed at third, social enterprise sectors
- Requires investor capacity and capability
- Capital is fine but not without revenue!
- Many potential schemes are not “bankable”
- Payments by results
 - huge cash flow pressures
 - not all outcomes are controllable or under provider influence
 - supply chain pressures



Some immediate requirements

- Capacity building in third sectors
 - and funding
 - access to expertise
- More consortia and mergers of third sector providers
- Public sector commissioners acting strategically
 - not just buying the cheapest
 - committed to realistic fees and payments
- New forms of private – third sector joint venture
 - shared investment
 - capitalising third sector contribution



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No easy solutions; no substitute for taxes

- Opportunity to rethink service delivery and financing
- Clarity of role for the state and citizens voluntary
 - and community sectors
 - charitable funds
- Opportunity for new forms of mutuals
 - including trade union led co-ops
- Banks must step up to the mark
- So must commissioners
- But revenue funding will always be required
 - and probably mainly from the state



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