

Commissioning for better public services

July 2012

1) The context

Public services are changing because tax payers demand it; they want services to be affordable, give better value for money and put people in charge of the services they use. Furthermore, the models by which public services have been delivered for the last 50 years are no longer affordable. In large part this is due to reductions in public spending, but we are also on the brink of significant increase in demand for services and increased public expectation about the quality of services.

This poses a stark challenge to those responsible for providing services to the most vulnerable in society, the everyday services that all citizens rely on and delivering value for money to the tax payer. Councils continually look for ways to make services more efficient, but efficiencies alone will not solve the conundrum of increasing demand for services at a time of reduced funding. The threat is real, but it is also driving transformational change and redesign of services, new partnerships and ways of working and the potential to break down silos to result in services that are fundamentally better – in terms of results, value for money and efficiency.

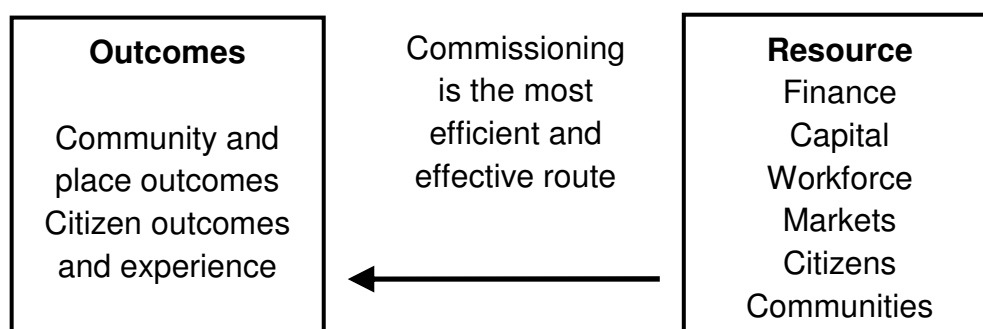
Central government has stated an ambition for a radical shift in how services are planned and delivered. The Open Public Services White Paper set out its proposals for increasing choice, opening services up to a wider range of providers, devolving decision making to the lowest appropriate level and improving transparency and accountability of public services. It also recognised that local government has made more progress towards these goals than the rest of the public sector.

2) What is commissioning?

Commissioning is increasingly a central part of the approach to redesigning services because it offers a means of joining up resources to focus on improving outcomes for citizens in the most efficient and effective way both now and into the future.

As a concept, commissioning is not new, but in the past it has tended to focus on money and staff, procurement and performance management in individual services. However it has developed to focus on outcomes and encompass the whole system of services, the totality of resources, and different ways of achieving improved outcomes.

Commissioning can be broadly summarised by the following diagram:



(adapted from *Outcomes & Efficiency Leadership Handbook*, PIPC 2012)

Detailed interpretations of commissioning vary, but broadly speaking it involves three key activities that combine to achieve efficiency and maximise value:

- understanding needs and desired outcomes – that requires up to date information about risk factors, needs, trends to gain a solid understanding what people need and want and where the priority areas are.
- optimising resources – including money, community and user resource, assets. This could mean redesigning internal or external workforce to deliver a service or return for the end user; optimising public buildings in an area to collectively create best value for the community; or building community resilience or skills.
- targeting – resources at those citizens in need, services that are a priority and at the right stage to have maximum effect on outcomes.
- choosing the right mechanism – to best achieve the desired outcomes. The choice of mechanisms range from more traditional approaches including procurement, service level agreements, performance management to a focus on pooling budgets, market management, partnership building, enhancing choice, harnessing voluntary and community resources and capacity, influencing partner spend and users decisions and behaviours.

3) Councils' and Councillors' role in commissioning

Changing culture and systems requires strong leadership to create an environment conducive to change both within an organisation and with the networks of agencies, services and citizens to interconnect issues, harness resources and adapt to changing environments, economics and politics.

Councillors' democratic mandate, accountability and knowledge of their place and residents mean they are uniquely placed to provide the leadership required to focus on community wide strategic outcomes and ensuring fair representation of different interests.

This accountability and closeness to communities mean councils can lead an informed public

debate about choices and decisions to be made, for example:

- Priorities and resource allocation choices – “what do we need to do and what might we stop doing?”
- How outcomes could be improved by doing things differently or working in partnership with other local agencies.
- Expectations of and capacity for the balance between public-funded activities and community self-help.
- What services might be subject to charges?

As democratically elected representatives responsible for spending of public money, councillors also provide the primary route for holding the range of service providers to account and protecting the rights of users and tax payers.

It also means that the nature of the conversation, the way in which it is conducted; the conclusions it reaches and the way outcomes are delivered will be different in different areas. Some approaches will work well in some areas but not in others. No one model will fit all circumstances.

Oldham Metropolitan Borough Council proactively commissioned its Children’s centres based on need and outcomes that were specific to local communities - aligned towards a community budget approach to help achieve some of the necessary efficiencies. This enabled the council to review what the future delivery model should look like whilst at the same time underpinning the council’s drive for localism through neighbourhood delivery and a co-operative ethos. The council completed this new commissioning process within 10 months including developing the business case, engaging partners and citizens, tendering and awarding contracts. A district-led workshop event was held that brought together elected members, partners and citizens from each district to work together to discuss and identify the key issues that were particular to each district, and to agree the performance measures that would be critical to improving outcomes. The tender process required bidders to demonstrate a knowledge and understanding of the locality and the needs within that community which meant they consulted and engaged with local representatives and service users at a much earlier stage in order to shape their offer. The process has resulted in a saving of £220,000 and although a different service offer, nonetheless one that was designed at a more local level and involving service users and key partners at a time when a number of councils are significantly reducing or shutting Children’s Centres.

East Sussex County Council developed an outcomes-based Commissioning Grants Prospectus with the local NHS to promote the role of local communities and social capital (the non-financial value added by local knowledge, networks and action) in meeting care and support needs. The new grants-based commissioning process was implemented and evaluated during 2011 to capture the value added by social capital in delivering prevention, information, advice, advocacy and other support such as home from hospital schemes and carers' support. A local definition of social capital was created which was scored equally alongside cost and quality during the appraisal of proposals.

The desired local health, social care and wellbeing outcomes included in the Prospectus had been previously identified in five existing joint health and social care commissioning strategies, as well as the Director of Public Health Report and Joint Strategic Needs Assessment. The 'whole system' commissioning strategies were developed with service users and carers, as well as providers and commissioners of services and other local stakeholders, to set direction for the full range of services over a three to five year period in relation to local needs and demand.

Over £7million was awarded to 47 community-based organisations in one proportionate and competitive exercise. The independent evaluation judged the process to be a success in delivering a streamlined, accessible and unified funding opportunity that clearly valued social capital as part of proposals to deliver services. Other benefits identified by commissioners and organisations included getting the most out of the 'total' resource available by bringing together different funding streams and avoiding duplication, and high levels of engagement between commissioners, interested organisations and service users and carers who were involved in evaluating the proposals.

Brighton and Hove City Council has developed an 'intelligent commissioning' model and is undertaking a significant and ongoing cultural, and structural change process aimed at supporting the delivery of the city's strategic outcomes and key services using this new way of working. The development of this approach was based on learning from a number of pilot initiatives looking at drug related deaths, alcohol and domestic violence. A two year programme of work for the authority and its partners has subsequently been developed and includes both city wide strategic commissions such as Climate Change and Child Poverty and service based commissions such as Special Educational Needs and Health Watch. A wide number of benefits have been generated through this approach including better service prioritisation and outcome improvements, budget savings and stronger community participation and ownership. Measurable impacts and improvements to key city outcomes include a 20% reduction in alcohol assaults over the past 12 months.

Suffolk County Council asked ACEVO to form a partnership with Social Finance, the Young Foundation and Equity Plus to design and deliver a programme to develop a sustainable market of public service providers across the Eastern region. This programme created a network of voluntary sector leaders and commissioners who are working together to create a shared understanding of what a functioning ‘market’ looks like, how a market can be shaped, the levers commissioners can use to enable the voluntary sector to compete with the private sector on an equal playing field, the skills required to operate effectively in a market and the shifting role commissioners will play in creating choice and control for service users.

4) **Benefits of commissioning approach**

Commissioning for a place can result in:

- The identification of new ways of delivering outcomes
- The elimination of duplication of services and effort between agencies
- Stronger and more varied partnerships
- Improved and more coherent services and the avoidance of cost shunting between organisations
- Joint assessment of need at individual and community level and greater consistency of eligibility (eg between adult and social care and NHS provision)
- Better engagement with citizens, providing opportunities for people to take more control over their lives and increasing social capital by supporting people to help each other
- Shared assets and premises
- Shared workforces and integrated teams
- Economies of scale and increased “purchasing power”
- Engagement of voluntary and community sector organisations which bring an understanding, empowerment and credibility to public service.

5) **What commissioning is not**

- Commissioning and procurement are not the same. Procurement is the process of acquiring goods, works or services from providers and managing them through a contract. A commissioning strategy may result in procurement, but could just as easily result in a policy change or an information campaign. There are many ways to deliver outcomes.
- Commissioning is not privatisation or outsourcing. Commissioning does not start with a preconception that services should be provided by a particular sector or type of provider. Who delivers the outcome remains the choice of the council or the partner organisation based on the recommendations from the commissioning process.
- Commissioning is not just about the bottom line. It is about finding the most efficient way to deliver services, but it is also about creating value – for example, reducing inequality and

environmental degradation and improving well-being – by incorporating environmental, social and economic costs and benefits into decision making.

6) Implications, issues and considerations for commissioning

Implementing place-based approaches

The logical conclusion of a commissioning approach is that all public resources and services in an area – across different public agencies and government departments - are brought together to focus on the citizens needs and community priorities. Councils' work on community budgets has demonstrated a clear case for how joining up budgets and effort at local level can improve outcomes and efficiency. But councils cannot achieve that alone, it will require faster progress on decentralising commissioning budgets and cross government support for pooling budgets.

Working with other Commissioners

Place-based approaches will require councils to work closely with other public sector commissioners, particularly as new governance structures evolve. For example the way in which councils work with new Police and Crime Commissioners and Health and Wellbeing Boards in the production and delivery of their commissioning plans is going to be critical to secure the best outcomes for communities.

Effective engagement and buy-in

Commissioning has to engage a wide range of stakeholders – service users, the wider community, those delivering services, third sector bodies who represent service users, local businesses and other public agencies. As a fundamentally political process about making choices and determining resource allocation, commissioning has to be inclusive, transparent and accountable.

A long-term approach to efficiency

Cuts to public spending budgets means councils urgently need to deliver cost savings in the short term. However, these decisions must be balanced against objectives, outcomes and efficiency savings in the longer term. Optimal answers from a commissioning process may require upfront investment to deliver cost savings in future. Key elements of the commissioning process, such as building markets, creating capacity within communities, changing service patterns and influencing behaviour will take time to develop and produce results.

For example, early intervention and preventative services recognise that targeting resource at an early stage will produce the best results in terms of outcome and efficiency in the long run. Whilst these approaches will result in greater cost savings overall, it is likely to take a while before a cashable return is generated and demand reduced.

Capacity and skills

Councils need to ensure they have the right skills and capability for the range of functions required for the commissioning cycle, including community engagement commercial acumen, risk management, entrepreneurial thinking, designing systems and partnership vehicles, change management, workforce development. This is especially challenging for councils in a period of budget cuts, however councils are finding ways to increase capacity without increasing team sizes, such as developing longer contracts, managing a portfolio of services, staggering investment throughout the year.

Targeting techniques

As discussed, targeting is a primary method of improving efficiency of services, but involves some challenges and risks. Practical mechanisms to increase services to those in need and reduce services to those who benefit less can result in feelings of unfair benefit cuts, frustrations and divisions within communities. Methods such as payment by results or social impact bonds that incentivise providers to focus on results rely on the ability to measure outcomes and achievements. However it can be difficult to measure long term outcomes of , for example, early intervention services, so we rely on proxy measures such as free school meals or numbers of students completing a course which can potentially lead to gaming by providers rather than better outcomes.

De-commissioning

Particularly in a period of financial pressure and shrinking public resources, commissioning approaches will inevitably involve “de-commissioning”. When setting priorities some existing services and activities will no longer be appropriate to meet needs. Engaging service users in the commissioning process and choices to be made will help manage expectations, increase understanding of why difficult decisions have been made and assist in mobilising community resource to replace de-commissioned services where possible.

7) Where next for commissioning?

Commissioning has been well established in some services for many years, particularly for example in health adult and children’s services, work and training programmes. Councils have extensive experience in developing joint commissioning approaches and interventions, for example through Public Service Boards and joint needs assessments. Across the country, councils are building on this experience to extend commissioning to more services; develop markets for service and support a more diverse range of providers.

Going forward we are likely to see expansion from commissioning for specific services to commissioning across councils or on a corporate basis. A number of councils are exploring how

to embed a commissioning approach more widely, for example, the Community Budget pilot areas, Brighton and Hove's "intelligent commissioning" model, Lambeth's "Co-operative Council".

Commissioning will need to become more sophisticated to allow flexibility to respond to service requirements that change and develop over time as a result of changing policies, demand or innovation.

Further expansion of commissioning should build upon existing local initiatives and pilots that are already underway at local level and will require:

- the ability to join up services at local level – that will require more place-based community budget type approaches and decentralisation of services so that they can be joined up around local needs.
- developing skills and expertise for commissioning – we need to work with other commissioners and providers to develop skills and expertise and share learning. The LGA already has a number of initiatives to support commissioning (see below).
- better information about services - that does not require a top heavy imposed system of performance management, but locally developed approaches to gathering and managing information and evidence.

8) Government's role in supporting local commissioning

The government has been clear that it sees commissioning as a means making services more accountable and responsive by involving communities, partners and providers in decisions about how to get the best outcomes from the resources available. It also recognises (in the Open Public Services White Paper) that commissioning is much better established in local authorities than it is in central government and that the *"wider public sector has much to learn from local authority successes in commissioning, for example in adult social care and highways services."*

To support the development of knowledge and skills for commissioning, the Cabinet Office has established a **Commissioning Academy** aimed at a senior level within the public sector. The LGA is partnering the Cabinet Office in developing the programme for the Academy and two pilot cohorts involving a number of local authorities will begin the programme in 2012.

Government can support more commissioning of local services by:

- resisting attempts to centrally specify "open commissioning" and to define which services are suitable for commissioning and how supply should be diversified. That will introduce unintended bureaucracy and stifle innovation and diversity of supply.

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- avoiding bureaucratic monitoring and performance management processes – We cannot afford a return to top-heavy performance management and government should not seek to duplicate councils role in holding services to account role by creating new quangoes and extending the role of ombudsmen.
 - focusing on decentralising funding and decision making for services to enable councils to expand their role as strategic commissioners, joining up services, and cutting through bureaucracy and organisational incoherence to focus on results, not process.

9) The LGA offer on commissioning

The LGA has a role to play in supporting councils in the further development of their strategic commissioning role through:

- Disseminating good practice and innovation on commissioning
- Providing training and tailored support to individual councils in developing new approaches and commissioning skills
- Brokering collaboration with providers to develop future commissioning models and contracts that are fit for purpose in a future strategic commissioning context and to develop necessary skills across all sectors.

As a partner in the Commissioning Academy being developed by the Cabinet Office, the LGA has had an active role in shaping the Academy's curriculum to emphasise the importance of a place-based approach and a focus on strategic leadership required for successful commissioning. We will continue to be closely involved as the programme develops to ensure that local government benefits from the work.

In addition we have brought together an informal network of Local Authority Chief Executives to ensure our work on commissioning is grounded in the sector's experience.

We would welcome views from councils on what more you would like the LGA to do to support its members in developing commissioning. Please send your views to localism@local.gov.uk.

There are a number of programmes of work underway or in development across the LGA aimed at supporting councils to be effective commissioners. These include:

- **Keep it REAL support programme** – supporting councils in effective commissioning with the Voluntary and Community Sector.
- **Children’s Improvement Board support programme** –support to local authorities in commissioning and productivity for children’s services.
- **Health commissioning work programme** – Proposal in development to support exchange of good practice on commissioning in the health sector.
- **Culture and sport commissioning support**–a programme to support for Members and Officers leading culture and sport services to exploit the opportunities presented by commissioning.
- **Workforce development and transformation LGA / Skills for Justice** –support councils on service transformation including workforce implications of commissioning
- **Productivity programme work on procurement**– The productivity programme’s support to councils on procurement as an essential part of the commissioning process.

Further information on these initiatives can be found on the LGA website www.local.gov.uk

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