

Third Sector Research Centre
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Commissioning across government: review of evidence

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Introduction

This report sets out the results of an in-depth review of the evidence in the academic, policy and government literature on current approaches to the commissioning of services to establish which 'models' are currently in use, the evidence to date on what their effects have been, and what changes to commissioning models are currently in the pipeline or are being considered for the future. The report has been commissioned by the National Audit Office (NAO) to support its work in investigating the value for money of government bodies, programmes and services.

The move to commissioning of public services in the UK has occurred in two waves – the first in the late 1980s and early 1990s, and the second more recently, essentially since 2004. The evidence base for the characteristics and impacts of this move is limited in a number of ways. There has so far been relatively little consideration of commissioning in the academic literature. While there is already an extensive body of practitioner or 'grey' literature, this predominantly relates to particular government departments or local initiatives (including joint commissioning), focused on one area or service. Few accounts look across the public services in terms of the types of approaches and models advocated and the evidence of their impacts. This report is therefore path-breaking in reviewing the position across a wide range of government departments and programmes.

In this report, we provide:

- a brief outline of the approach and methods we used in the review;
- a short summary of the different meanings attached to the concept of 'commissioning';
- an outline of the main commissioning models that we have identified as being in current use;
- a discussion of a number of key issues relating to commissioning models (as agreed with NAO), including:
 - performance management and commissioning
 - the evidence for success of the commissioning approach
 - the outcome-orientation of commissioning
 - the implications of commissioning models for the third sector
- an outline of some current and potential developments in commissioning models, as suggested by key government departments and other national stakeholders involved in commissioning;
- a summary of the current state of play on commissioning and some potential implications for the NAO to consider in its future work.

Approach and methods

In this section we set out the approach which we have taken in this review of the evidence. From the outset we designed the review to cover the policy and practice fields, as our previous work had already revealed that there is still relatively little published on commissioning in the academic literature.

Scoping phase

The scoping phase consisted of an initial discussion with the NAO liaison officer about the key issues which NAO wished to be addressed in the literature review, together with an outline of how NAO is likely to use the review, so that we could design the review to be maximally effective for NAO's purposes. This also allowed the research team to give NAO an understanding of the range of the existing evidence base, so that a joint decision could be made on the most effective parameters for the search.

Scanning and analysing the literature

In this phase a wide scan of academic and 'grey' (practitioner) literature was undertaken, both in the UK and internationally. As was known from the outset, the academic literature on strategic commissioning is still quite slight. This is partly because this terminology is still largely confined to the UK, although similar approaches to services planning, design, procurement and management are indeed to be found in other countries, particularly those within OECD (Organisation for Economic Co-operation and Development). However, we ensured that the literature search was wide and able to capture the research which covers key strategic commissioning concepts, even when it does not use this language. In order to do this, we used over thirty terms in the search process.

We sourced this literature through the usual academic search systems (SSCI, GoogleScholar, etc.) and also through use of our listserver networks, which put us in contact with thousands of academics working in similar fields across the world. In addition, seven detailed searches were undertaken using the following databases: HMIC; Medline; Assia; Proquest; EBSCO; Social Care online; Social Sciences Citation Index; Social Services Abstracts; EMBASE; and the ISI Citation Index databases.

As the broad term 'commissioning' has identified unmanageable quantities of references in past reviews, commissioning was searched only in conjunction with specific key words. Seven different conjunctions of search terms were used in this study. The first search comprised the following terms:

Search 1	Commissioning AND (strategic OR joint OR integrated OR outcome OR adult* OR children* OR local government services)
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Most of the pertinent literature was published from 2004 onwards when the term commissioning started to gain wide currency. Therefore search 1 was conducted over 2 different time periods: (2004–present) and (all dates–2004). Precedence was given to material identified from 2004 onwards.

Searches 2-7 sought to identify commissioning processes and practices that were not explicitly labelled as such:

Search 2	Needs assessment AND (strategic OR joint OR holistic OR outcomes)
Search 3	Procurement AND (strategic OR joint OR holistic OR outcome OR integrated OR adult* OR children* OR local government services)
Search 4	Planning AND(joint OR care OR outcome OR strategic OR service OR user OR patient OR client)
Search 5	(Market management OR market development) AND procurement
Search 6	(decommissioning OR disinvestment) AND procurement
Search 7	Performance AND (commissioning OR strategic)

The initial search results went through a filtering process to ensure the relevance of the review sources. An initial scan excluded all entries which:

- did not concern public services
- did not take commissioning as a significant focus
- were highly specialised in terms of the services being commissioned or in terms of locality (particularly in health, where there is a very large quantity of guidelines for different conditions and user groups)

The remaining sources were reviewed in terms of their specific contribution to knowledge on commissioning across government. Summaries were used to group data and guide the analysis and review process. At this stage further sources were excluded on the basis of their lack of or very weak contribution to knowledge. For example, generic, often local level, administrative documents regarding commissioning processes were discounted where they added nothing new to our understandings of commissioning practices or conceptualisation.

All selected sources were entered into a Literature Index, categorised by type of document, the sector covered (health, employment, education, local government, environment, justice), the meaning given to ‘commissioning’, and whether it referred in any depth to the role of outcome-based approach, the performance management regime, user-led participation in commissioning and the role of the third sector in commissioning.

Updating government commissioning models

We also contacted key staff in each government department currently promoting commissioning models, to get a reading on what developments are foreseen in the near future in their commissioning models.

What is commissioning?

Lack of agreed definition

Commissioning has become an important term in the vocabulary of UK public services in recent times. Enhancing commissioning has been the focus of documents such as *Our Health, Our Care, Our Say* (Secretary of State for Health, 2006), *Strong and Prosperous Communities* (CLG, 2006b), *Putting People First* (Department of Health, 2007b), the Commissioning Framework for World Class Commissioning (Department of Health, 2007a) and the NHS Operating Framework for England (Department of Health, 2009a). An interest in “strategic commissioning” has been embraced by nearly all central government departments, which have therefore signed up to a multi-stakeholder approach, covering public, private and third sectors. Yet, what is meant by the term ‘commissioning’ and how it differs from other terms such as ‘purchasing’ and ‘procurement’ – and even ‘provision’ – is not always clear.

That confusion over meanings of these different terms can be problematic in practice was highlighted by the UK Public Administration Select Committee of the House of Commons, which suggests:

‘If there is no common understanding of what commissioning means, that can only be a barrier to effective relationships. Government and the private and third sector need to come to a commonly accepted definition of commissioning if it is to continue to be the State’s preferred method of interacting with the sector. In particular, Government needs to convince the third sector that commissioning is something distinct from procurement’ (Public Administration Select Committee, 2008: para 38).

This section seeks to unpack the terminology used when discussing commissioning. It demonstrates that definitions of ‘commissioning’ are far from agreed, not only across different sectors, but also between government departments. Therefore, when discussing commissioning it is important to establish precisely what activities are being referred to within a particular context. Before moving on to considering what commissioning is though, we briefly consider some of the drivers for interest in this concept as these have a bearing on how commissioning is conceptualised in practice.

Drivers of interest in commissioning

Commissioning is seen across government as being the means through which public services might deliver innovative, effective, efficient and quality outcomes for service users and populations. At this stage it is therefore worth considering where the concept has come from and why it is that commissioning is thought to be so crucial. The key drivers considered here are in terms of modes of governance in public services and the impact of New Public Management (NPM).

In 1995, the Organisation for Economic Co-operation and Development (OECD) observed that ‘a new paradigm for public management has emerged, aimed at fostering a performance-oriented culture in a less centralised public sector’ (1995: p. 8). Essentially NPM is founded on a critique of hierarchy as the organising principle of public administration (Dunleavy, 1991); it is argued that the top-down decision-making processes associated with this model are increasingly distant from the expectations of citizens. Peck and Dickinson (2008) suggest that the case for NPM was that, whilst the commercial

sector had undergone radical change in the 1980s, the public sector remained 'rigid and bureaucratic, expensive, and inefficient' (Pierre & Peters, 2000: p. 5). Various advocates differ in their descriptions of NPM (Pollitt, 1993; Hood, 1995; Ferlie et al., 1996), in general, however, it is characterised as an approach which:

- emphasises establishment of objectives and targets and measurement of performance against these;
- disaggregates traditional bureaucratic organisations and decentralises management authority;
- introduces market and quasi-market mechanisms; and,
- strives for customer-oriented services.

The benefits of new public management are often contrasted with the drawbacks of "old public administration", where the latter is said to be characterised as the maintenance of organisations that are inward looking and which have been designed and are run in the interests of the professional staff who work in them (Harrison et al., 1992). From another perspective, Lynn (2006) describes the traditional approach to public administration as being 'governed by rules and hierarchy, and by the public service values of reliability, consistency, predictability, and accountability' (p. 142). NPM, on the other hand, favours managers and leaders who are customer-focused and entrepreneurial (although this simplistic dichotomy may be rather overstated in practice).

Many of the major reforms of health and social care over the last 25 years can trace their roots back, at least in part, to ideas derived from NPM – in the 1980s, the introduction of general management in the NHS and compulsory competitive tendering (CCT) of goods and services previously provided by local authorities in the 1990s, market testing, the purchaser provider split, and the 'mixed economy of provision'; and in the 21st century, the choice agenda and personalisation of services. The popular text "*Reinventing Government*" by Osborne and Gaebler (1993) is a prominent example of the NPM paradigm, setting out ten main principles for reforming the public sector in order that it might become more aligned with a commercial ethos. For our present purposes, Osborne and Gaebler's first principle – *governments should steer, but not row* – is the most salient. Underpinning this tenet is the argument that if public sector bodies concentrate on **what** should be delivered (and the performance management of outcomes), then they will do so more efficiently if they are not preoccupied with the details of **how** this should be delivered.

Over, the past twenty five years, therefore, many public services have ceased to be provided by the NHS and local authorities (or by government more widely) and have been transferred to a wide variety of agencies (e.g. private companies providing domiciliary care, voluntary bodies providing community based drug and alcohol services, arms-length management organisations providing housing services, foundation NHS trusts providing mental health care). This has led to a proliferation of providers, many of which are markedly different in their origins, incentives and governance arrangements. Not for nothing have commentators described the emergence of the 'congested state' (Skelcher, 2000) during the 1990s, where the role of public sector bodies in provision can no longer be taken for granted and an increased number of organisations now need to collaborate in order to address the "wicked problems of society".

Of course, there has to be a health warning here: as Peck and Dickinson (2008: p. 15) argue, “it would be misrepresenting history to argue that there was no plurality in the sources of public service provision prior to NPM (we need only remember primary care and residential care to refute that position). Nonetheless, successive UK governments came to realise that wicked problems require (almost by definition) collaboration across agencies, and consequently the number of agencies that need to be involved in such collaboration increased”. However, the current emphasis on commissioning in public services is arguably a product of the extensive influence of NPM, as ‘steering’ has come to mean commissioning and many public services have come over time to divest themselves of provision – the ‘rowing’. Of course, this clear-cut division between commissioning and provision is not as simple or straightforward as it might appear. Indeed, some forms of commissioning may even be seen as another form of rowing. For example, practice-based commissioning in health care and direct payments and individual budgets in social care blur this distinction to some extent.

Definitions of commissioning

The definition of commissioning that is employed across government departments varies depending on the consideration of a number of factors. In this chapter we consider these in terms of:

- function – commissioning, procurement, purchasing and contracting
- means or ends?
- distinct from provision?
- single or multi-agency?
- the role of the citizen
- levels of commissioning

Function – commissioning, procurement, purchasing and contracting

In commissioning, a plethora of different terms is used, often deployed as though they were synonymous. In this section we explore the terms commissioning, procurement, purchasing and contracting and start to sketch out the ways in which these terms have been used and the differences between them.

The commissioning literature predominantly relates to the English context, although related concepts obviously have much wider resonance. There is a large and established supply chain management literature which deals with issues of sourcing, outsourcing and contracting out (Giannakis and Crom, 2010). Some commentators have examined the supply chain management literature in an attempt to glean any evidence that may be of use in thinking about commissioning in the context of public services. One example is Allen et al. (2009), who conceptualise the role of health care commissioners, and conclude that the supply chain management literature tends predominantly to concentrate on professional services (e.g. IT, legal services etc.), rather than on more complex personal services, although some of it resonates with the role of health service commissioners.

One of the major considerations in the supply chain management literature is whether to ‘make or buy’ – whether to produce a particular product or service or to outsource it to another company. Most

frequently this decision is made on the basis of whether these functions are critical in terms of the core competence of an organisation (Pralahad & Hamel, 1990). Within this context, therefore, procurement involves the discussion and decision about whether to 'make or buy', while 'purchasing' refers to the process of buying or funding of particular activities. In the current UK public sector context, the personalisation agenda has allowed many service users in social care to commission the services they want for themselves but local authorities still remain the purchasers of the services, since they are funded from local authority budgets.

'Contracting' is the technical process of negotiating the terms of delivery for a product or service and setting the processes in place to oversee the payment, monitoring and potential variations to legal agreements. As Murray (2009: p. 200) states, purchasing is "concerned with translating and articulating desired outcomes into a specification, 'the means'". Interestingly, the Cabinet Office defines the procurement process as 'the specific aspects of the commissioning cycle that focus on the process of buying services, from initial advertising through to appropriate contract arrangements' (Cabinet Office, 2006: p. 4). Such a definition of procurement is rather narrow and seems more akin to the definition of purchasing set out above but demonstrates the range of ways in which these terms are used across government.

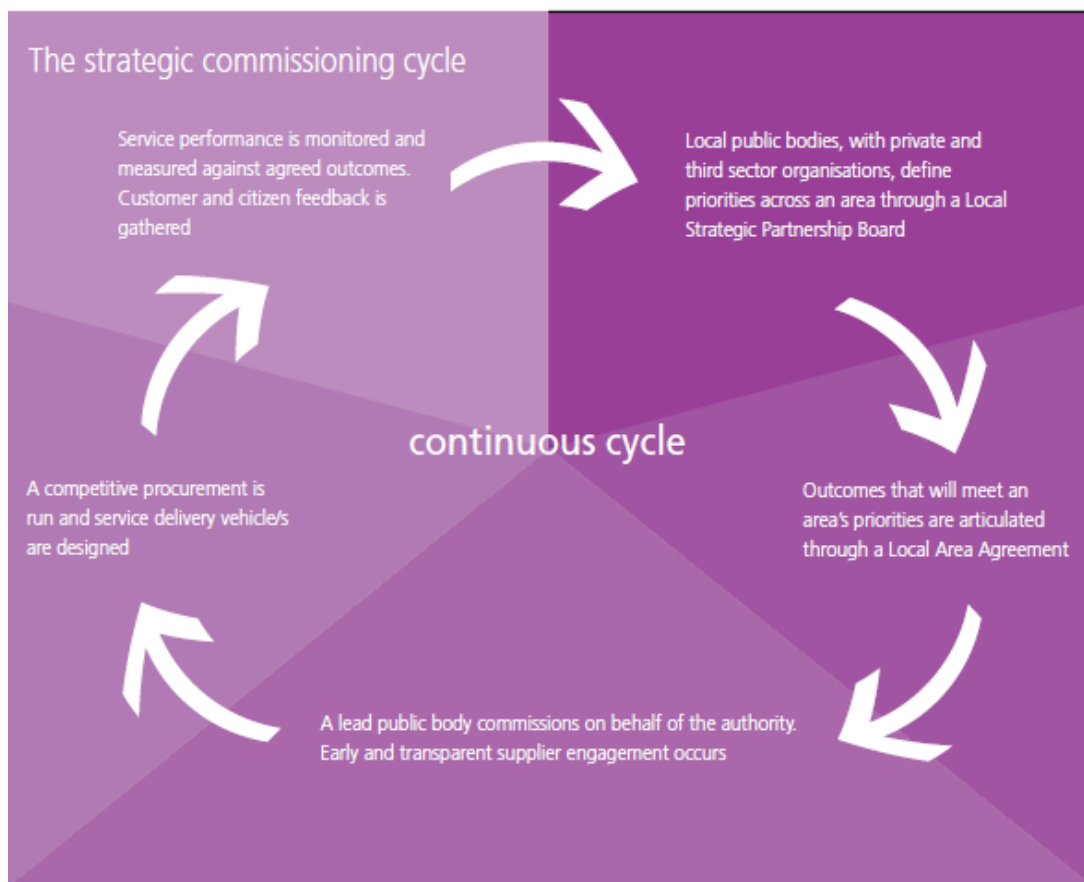
It is interesting that the Office of Government Commerce (OGC) Commercial Strategy Template (currently available on the OGC website, section 16) states that "departments will have a varied approach to commissioning and possibly even apply a different definition. The following are some words that may be included to ensure commissioning is captured within the scope of the commercial strategy:

"Commissioning is where the public sector decides the services, service outcomes or the products that it needs, acquires them and makes sure that they meet requirements. There is much debate about whether commissioning is synonymous with procurement or merely includes procurement. What is certain is that for procurement to be effective as a business tool, organisations need to cover the same activities as commissioning – identification of needs, acquisition and management of benefits" (OGC Policy and Standards Framework 2008)

Notwithstanding the scepticism of OGC, the general consensus in the literature is to regard purchasing and contracting as core elements of procurement, which in turn is a key element of commissioning. However, these distinctions are by no means universal as yet.

An important corollary of this view is that commissioning does not necessarily imply the outsourcing of a service, although this association is often made by writers and speakers on the topic. Nor, indeed, does it necessarily imply competitive procurement, if the commissioning process suggests that this may not be necessary. However, this is certainly a contested area – for example, the joint LGA-CBI report on strategic commissioning in 2008 used the following diagram to illustrate the commissioning cycle, which includes the stage "A competitive procurement is run and service delivery vehicles are designed" (LGA-CBI, 2008: 6).

Figure 1: Commissioning Cycle (LGA-CBI, 2008)



While the balance of the literature may suggest that commissioning and procurement are rather different activities, it is sobering to note that, in a survey of local authority lead procurement practitioners in 2008, 53% considered procurement and commissioning to be just different names for the same thing, with only 47% viewing them as different (Murray, 2011).

Means or ends?

In the words of Murray (2009), commissioning differs from procurement and purchasing by being more concerned with 'ends' rather than 'means' – and, indeed, the issue of outcomes has become of key importance in the commissioning literature, as we will outline later. The definition of commissioning in its broadest sense used by the Cabinet Office (2006: p. 4) is 'the cycle of assessing the needs of people in an area, designing and then securing appropriate service'. Such a definition clearly has the potential to encompass but also to go beyond the functions of procurement, purchasing and contracting. Writing from a health care perspective, Øvretveit (1995) argues just this. He suggests that commissioning is a more proactive function than the more familiar activities of purchasing, procurement or contracting and involves activities which do not simply involve paying for services but also influencing other agencies to promote the health of the population.

Commissioning in this context refers to the function played (in a health context) by "organisations or individuals who have responsibility, on behalf of taxpayers or insured persons, for spending resource allocated for healthcare in ways that will ensure the meeting of the health objectives of the

health system, insurance organisation or patient” (Wade et al., 2006: p. 3) (although, confusingly, these authors refer to this function as that of ‘third party payers’, which suggests a ‘purchasing’ rather than commissioning role). Thus, Woodin (2006) notes that commissioning “tends to denote a proactive strategic role in planning, designing and implementing the range of services required, rather than a more passive purchasing role. A commissioner decides which services or health care interventions should be provided, who should provide them, and how they should be paid for, and may work closely with the provider in implementing changes” (p. 203). However, this broad definition of commissioning is not shared across all government departments. The *Every Child Matters* White Paper (HM Treasury, 2003) sets out a concept of commissioning that seems more closely related to the notion of procuring services (often with pooled resources) from providers, placing it within the management cycle between ‘planning desired services’ and ‘planning for workforce and market development’.

The Department of Health defines commissioning as ‘the full set of activities that local authorities and Primary Care Trusts (PCTs) undertake to make sure that services meet the health and social care needs of individuals and communities’ (Department of Health, 2007a: p. 94). In this broad sense, then, commissioning is seen as an overall approach to managing a whole system, which is reflected by the Department of Health’s (2007a: p. 11) commissioning framework for health and well-being which states that “commissioning is the means to secure the best value for local citizens. It is the process of translating aspirations and need, by specifying and procuring services for the local population into services for users which:

- deliver the best possible health and well-being outcomes, including promoting equality;
- provide the best possible health and social care provision;
- achieve this within the best use of resources.”

Meanwhile in local government, the definition of ‘strategic commissioning’ tends to be wide-ranging, as a major contribution to the ‘place-shaping’ agenda of local authorities. In its 2006 White Paper, the Department of Communities and Local Government (CLG) sets out the role of commissioning in strategic service delivery:

- Understand and deliver the improvements that places need, and the outcomes people want, rather than relying on traditional service delivery channels.
- Achieve economies of scale and scope where this is sensible – e.g. co-locating services, sharing back-office functions, joint appointments for senior posts.
- Act locally to achieve greater responsiveness.
- Undertake joint commissioning and procurement to achieve efficiency savings.
- Separate commissioning and providing, ‘thus enabling the LA and the LSP to be the champion of the citizen and service improvement’. (CLG, 2006b: §5.67 – 5.68)

Distinct from provision?

In the definition just given, CLG insists on the need to separate ‘commissioning’ from ‘providing’, unlike the DH 2007 definition. Nevertheless, CLG’s discussion of the elements of the commissioning cycle goes on to include identifying needs, planning, sourcing, delivery and performance management – in other words, virtually the whole of the management cycle and actually includes provision. Indeed, the CLG (2006) discussion makes it clear that the scope of strategic commissioning is very broad,

locating it as a vital part of 'place shaping', which it defines as building a vision of how to respond to and address a locality's problems and challenges in a co-ordinated way, including issues such as economic futures, demographic shifts, climate change, offending, and cohesive communities. CLG stresses the need for local authorities to work more through partnerships in their strategic commissioning – 'rather than delivering services directly themselves' (CLG, 2006b: §5.6). Various reasons are given for this, including:

- better use of competition and alternative providers as a driver for innovation; (§6.21)
- a more holistic approach to the commissioning of services – not a simplistic approach to outsourcing or CCT; (§6.30)
- optimal solutions that balance quality and value for money; (§7.13)
- key role of procurement in providing high quality services and its potential to extend choice; (§7.34)
- encouraging more providers to enter the market and to compete for contracts. (§7.42)

Such an all-encompassing view of commissioning is shared by a recent joint LGA and CBI publication which defines strategic commissioning as 'a political and managerial process and is the means to secure best value and deliver the positive outcomes that meet the needs of citizens, communities and service users' (LGA-CBI, 2009: p. 9). Box 1 sets out the range of activities that strategic commissioning involves, as considered by the LGA-CBI report.

Box 1: Range of activities within strategic commissioning

- The identification and assessment of needs and aspirations of citizens and communities including local businesses.
- Specifying the outcomes and pathways to secure the outcomes providers will need to meet, while achieving value for money.
- Defining the resources available (including contributions from user charges) and determining how to allocate these (including setting eligibility criteria).
- Adopting an open minded approach to identifying and evaluating the options for meeting needs and aspirations – including dialogue with a range of potential suppliers.
- Matching the options for service delivery, with the available resources including individual or neighbourhood budgets and wider community objectives.
- Choosing between potential suppliers on the basis of competitive neutrality, where the local authority and not individuals is procuring the services from external or in-house providers.
- Helping citizens to make appropriate choices, through improving the information available to them and through brokering collective choices which improve the value for money.
- Market management, including identifying appropriate suppliers, attracting new entrants and ensuring competitive behaviour.
- Procuring the services from private or third sector providers or on the same basis from in-house providers or public sector partners.
- Continually monitoring and reviewing the achievement of outcomes and engaging and consulting with service users, staff and other stakeholders at all the stages of the process.

Source: LGA-CBI (2009: p.9).

Single or multi-agency?

With reference to children's trusts, the Commissioning Support Programme (CSP) (2009) has defined commissioning as: "The process for deciding how to use the total resources available for children, young people and parents in order to improve outcomes in the most efficient, effective, equitable and sustainable way", which again emphasises the multi-agency nature of commissioning. Commissioning involving more than one organisation is becoming increasingly common across government agencies. 'Joint commissioning' has traditionally referred to arrangements put in place across health and social care and often underpinned by 'Health Act Flexibilities', or Section 31 agreements, latterly Section 75 agreements. More recently, 'integrated commissioning' takes the joint health and social care approach further, engaging a wider range of partners to address complex problems in a more holistic way – e.g. as part of LSP/LAA structures.

HM Government (2006) states that the joint planning and commissioning framework for children, young people and maternity services will be focused on achieving the five outcomes from the *Every Child Matters* White Paper, embedded in the Children Act 2004 (viz. 'being healthy', 'staying safe', 'enjoying and achieving', 'making a positive contribution' and 'economic well-being'). It stresses the need to join up services so that they produce better outcomes, along these lines, among other ways by ensuring that contracts are based increasingly on outcomes. However, the model which it uses to illustrate this commissioning process makes no mention of service delivery, which it appears to locate outside of the commissioning role.

The role of the citizen

Conceptualising commissioning in terms of outcomes introduces the dimension of the citizen (or service user/patient/population). The increasing concern to make this citizen dimension interactive is well illustrated by the changing definition of commissioning from the Commission for Social Care Inspection (2006: p. 59) which was originally: "the process of translating aspirations into timely and quality services for users which meet their needs; promote their independence; provide choice; are cost effective; and support the whole community" but then later was expanded by the Care Services Improvement Partnership (Department of Health, 2008a: p. 14) in the wake of a series of reforms related to the personalisation agenda, so that it was prefaced by "working together with citizens and providers to support individuals to translate their aspirations into timely and quality services ...".

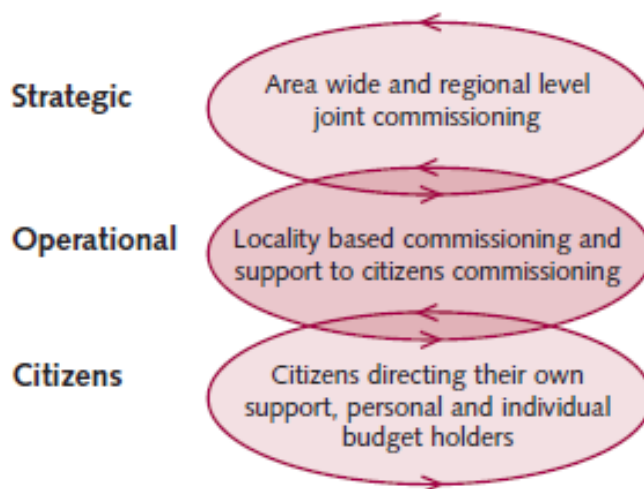
CLG similarly talks about the importance in involving the 'public in the design of services, especially those who might otherwise be marginalised' (CLG, 2006b: §2.21) and elsewhere it speaks of citizens and users being 'at the heart of service commissioning' (CLG, 2006b: §2.21). Moreover, CLG stress the need for local authorities and suppliers to work together to provide contractual incentives for both external and in-house providers to meet expectations of users (CLG, 2006b: §2.21).

Perhaps this concern to bring citizens and service users more fully into the commissioning process has gone furthest in young people's services, where HM Treasury/DCSF (2007: 29) states the government's commitment to "Young people's direct influence and control on the design, commissioning, and delivery of local services" (which interestingly demonstrates that DCSF separates 'delivery' from 'commissioning').

Levels of commissioning

Commissioning may take place at a variety of different levels. Strategic commissioning tends to be seen as distinct from operational and individual commissioning in terms of scale, scope and size. Whilst strategic commissioning looks at a broader understanding of the whole system, operational commissioning is focused on procuring and developing local services to contribute to strategic outcomes that might be narrower, e.g. service-based. Individual commissioning focuses on the delivery of an individual service package. This is illustrated in the Figure below.

Figure 2: Multi-level commissioning



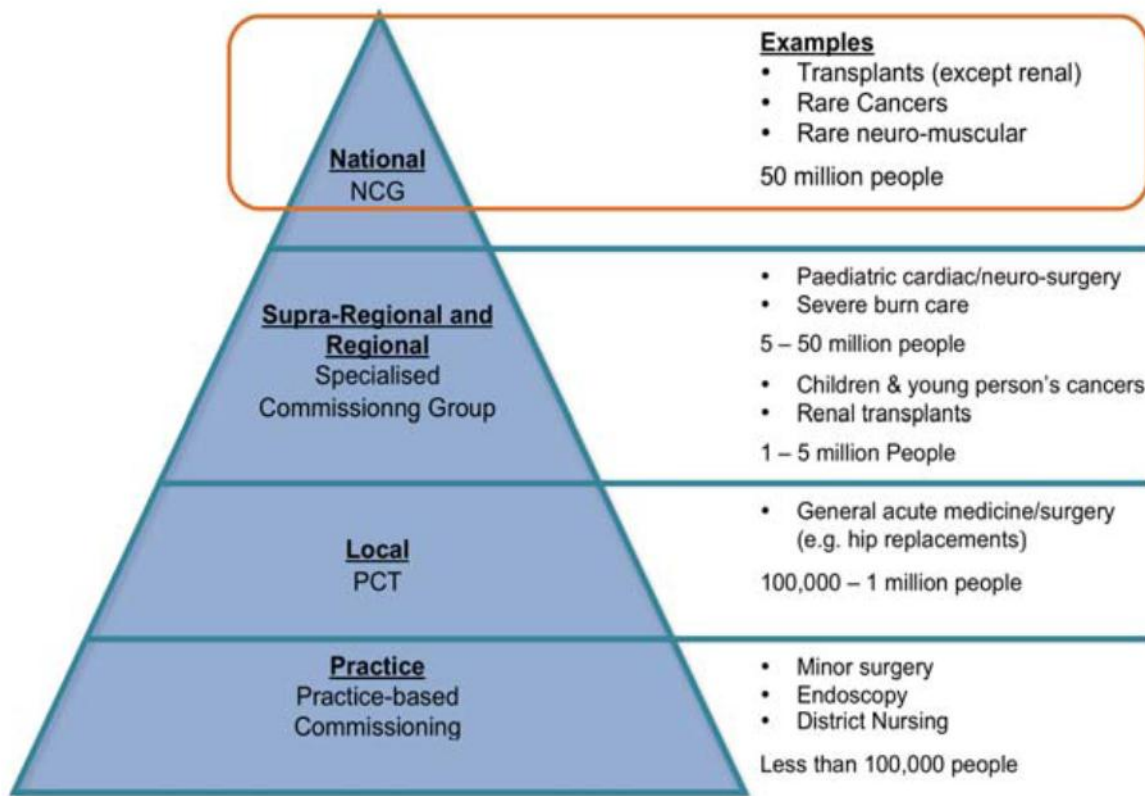
However, terminology is not consistent here, either. HM Treasury/DCSF (2007) emphasises the need for “driving up quality by enabling more effective co-ordination and commissioning of services”, which suggests that ‘commissioning’ is conceived of as different from and more strategic than the operational co-ordination function.

Interestingly, the increasing use of the term ‘de-commissioning’ is largely reserved for the operational level – it usually means stopping the purchase of some services, as specific consequence of decisions made in a strategic commissioning process. That the term has roots in operational facilities management (e.g. decommissioning of a hospital or nuclear power plant) is evident in the commitment expressed by HM Treasury/DCSF (2007) to “decommissioning of some provision and reinvesting in more successful and popular facilities”.

Some authors have argued that not all services are suitable for commissioning (e.g. Haubrich, 2007: slide 5). However, a corollary of the ‘multi-level commissioning’ perspective is that this is not the case – at the very least, a decision has to be taken for all services as to whether the current approach to service planning and delivery is effective – and the approach discussed here would regard such a decision as part of a ‘commissioning’ approach.

It is also possible to see a geographical hierarchy in multi-level commissioning. In health, DH (2009b) demonstrates the split between the types of services commissioned at a national level and those commissioned regionally by Specialised Commissioning Groups (SCGs) and PCTs, intended to avoid costly assessment by individual PCTs, uneven decisions (the 'post code lottery') and uneven costs.

Figure 3. Geographical hierarchy in multi-level commissioning (DH, 2009b)



Summary

In this section we have set out an account of the drivers behind the different interests in commissioning and then sought to unpack in more detail the terminology that underpins commissioning. This has demonstrated that definitions of 'commissioning vary significantly across and between government departments and other organisations.

Approaches to commissioning

We have identified a range of approaches to commissioning, based on the reviews done by Smith et al. (2004) and by Bovaird for the LGA-CBI Public Services Strategy Board (LGA-CBI, 2009).

- Single agency commissioning

Where a single organisation is responsible for all stages of commissioning services. Examples include:

- Public organisation commissioning, procuring and contracting for a service entirely by itself – e.g. for leisure centres, street cleaning, prisons, etc.
- Primary care organisation/PCT commissioning (Smith et al., 2004)
- Practice-based commissioning in health (Smith et al., 2004)

- ‘Service integrator’ commissioning

Where the commissioner(s) appoint a prime contractor as broker for the subcontractor network (“service integrator” model) (e.g. DWP commissioning New Deal through private sector prime contractors).

- Area-based joint commissioning

Where several organisations form a partnership, alliance, or other collaborative, taking joint responsibility for the commissioning of services. There are many variations of this common model of commissioning. Examples include:

- LSP-led strategic commissioning/commissioning for place
- Joint or integrated commissioning (Hudson, 2010; Smith et al., 2004)
- Multi-practice or locality health commissioning (Smith et al., 2004)
- Lead commissioning (Smith et al., 2004)
- Neighbourhood-led commissioning (Bovaird and Downe, 2008)
- Radical community commissioning, with participatory budgeting (e.g. through Community Chests, or through Young People’s Services commissioning panels with user representation) (Bovaird and Downe, 2008)
- Inter-area (sub-regional) or commissioning (e.g. at city region level or through Multi-Area Agreements)
- Sustainable Commissioning model (new economics foundation)

- User-led commissioning

There is increasing awareness amongst commissioners of the benefits of service user involvement in strategic commissioning. The move towards personalisation and the direct purchase of services by individuals or neighbourhoods demonstrate the most extreme variants of this approach. Examples of user-led commissioning include:

- Individual patient purchasing-patient choice and user led commissioning (Smith et al., 2004, LGA-CBI, 2009)
- Extension of Individual Budget Holding
- Vouchers for all or part of purchase (Bovaird and Downe, 2008)
- User and community co-production (of service commissioning and delivery) (Bovaird, 2007)
- Investment-driven commissioning

Models of investment-based commissioning, aim to inject new capital and deliver improved outcomes. The strength of investment-driven commissions is seen as early communication of expert knowledge between authorities and varied partners. Examples of investment-driven commissioning include:

- Building Schools for the Future and Local Education Partnerships
- Local Infrastructure Financing Tool
- Homes and Community Agency (Total Capital programme)

- National commissioning

In the England there is a national level commissioning infrastructure in place for highly specialised services. For example, organ transplants, children's heart and neurosurgery, specialised burn care, some types of stem cell therapy, rare neuromuscular disease and cancer of the retina. Services are commissioned by the National Commissioning Group (NCG) who oversee and support ten regional specialised commissioning groups. The NCG also advises government on NHS services which are best commissioned nationally, rather than locally.

Current models of commissioning

In this section, we set out the main models of commissioning which we have identified in government departments.

For each model, we set out:

- the commissioning cycle within the model;
- what is included within the term 'commissioning' in the model;
- the performance management regime;
- evidence on the performance of the commissioning approach to date;
- the outcome orientation of the model;
- the role of the third sector in the model.

National level commissioning models

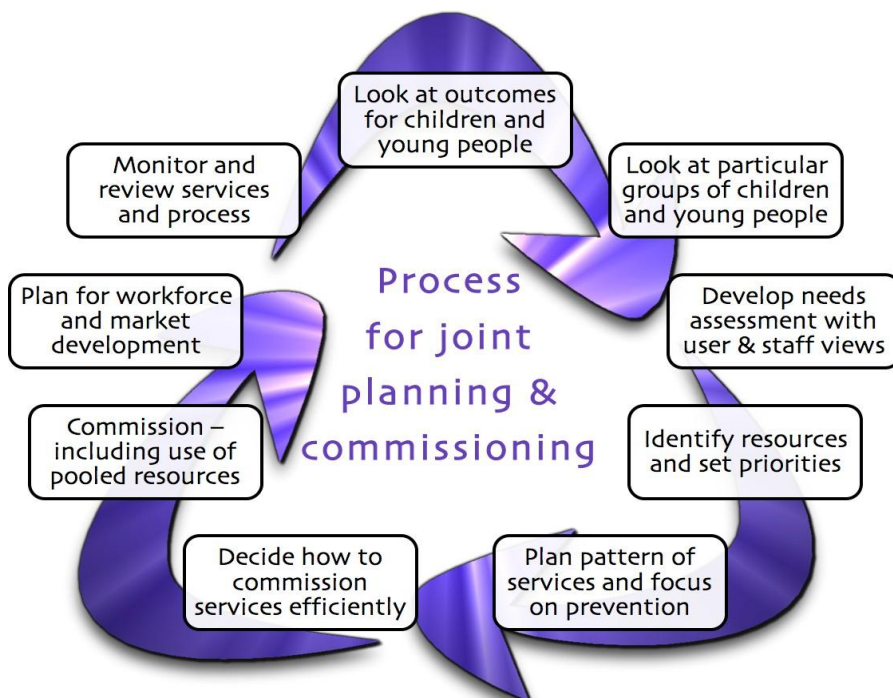
In this section, we list some of the models we have identified to date, with either an illustrative diagram, showing the commissioning cycle involved, or a short description.

Joint Planning and Commissioning Framework for Children, Young People and Maternity Services (HM Government, March 2006)

This is generally known as the 'Every Child Matters' commissioning framework.

The commissioning cycle within the model

Figure 4: Process for joint planning and commissioning (HM Government, 2006)



What is included within the term 'commissioning' in the model

This model uses the word 'commissioning' for the phase of the overall management cycle between service planning and workforce and market development – in other models this is more commonly regarded as the procurement phase of the management cycle. The model does not include service delivery as part of the management cycle. It has a heavy emphasis on identifying and pooling resources, which makes it rather different from the DH model for Health Reform, published in the same year.

The performance management regime

The original document (HM Government, 2006: para. 9.1) suggested that "internal and external processes such as self-monitoring, Annual Performance Assessments and Joint Area Reviews will

help build a picture of how each children's trust is delivering outcomes. Self-monitoring processes should be designed into each service in such a way that the results will stand up to external audit. Results will be used to determine which services are working well, which teams are performing effectively and why, which contract and service level agreements work well, how well markets are being developed or are changing, whether the earlier needs assessment was accurate, and how well the Children and Young People's Plan is being implemented." Furthermore, "Inspectorates, Strategic Health Authorities and Government Offices will help to performance manage the joint planning and commissioning process; children's trust partners should also review and challenge the process. Monitoring and reviewing in children's trusts will be most effective if it is carried out in partnership with providers, parents, children and young people, and other key partners throughout the joint planning and commissioning cycle." (para 9.3).

Evidence on the performance of the commissioning approach to date

An early evaluation of the 35 Children's Trusts pathfinders (NECT, 2006), based on this commissioning model, concluded: "Much progress has been made by pathfinders in developing integrated strategies to support cooperative working between partners with a duty to cooperate in the planning and delivery of children's services. Children's trusts have identified services requiring the cooperation of two or more partners and have begun the process of improving services through devising more efficient joint delivery and joint funding arrangements. At this early stage the focus of integrative working has been mainly on targeted services for specific groups of children with complex health and social needs rather than universal services. We found that a few children's trusts had developed expertise in joint commissioning and had an agreed approach that was transparent to all parties: funding partners, contractors and service user. Other children's trusts pathfinders have not reached this level of agreement and have some way to go to establish effective commissioning strategies."

The RCE Procurement Programme (2008) brings together a selection of children's services case studies from the Regional Centres of Excellence, the Centre for Procurement Performance of DCSF and the Improvement and Development Agency. The case studies show how outcomes for children, young people and families have been improved and how efficiencies were generated, drawing out the benefits of each approach, the critical success factors and the lessons learned.

Outcome orientation of the model

This model provides the only example of statutorily defined outcomes, as set out in the Children Act 2004 – and they are also built into the National Indicator set. The outcomes are:

1. Being healthy
2. Staying safe
3. Enjoying and achieving
4. Making a positive contribution
5. Achieving economic well-being

Interestingly, a toolkit for the application of these Every Child Matters outcomes was developed by Portsmouth Children's Development Team (CDT), at the request of the Children's Trust Policy Team

(Department for Education and Skills (DfES)), based on Friedman's Results-based Accountabilities framework. Because Portsmouth was one of the first local authorities to move to an outcomes-based approach to children's services (beginning in 2002-03), the local outcomes (the 'Portsmouth 8') which were developed by all the stakeholders acting together were rather different from those which eventually appeared in legislation, as shown below.

Box 2: The 'Portsmouth 8' Outcomes

What we ALL believe and what we are ALL working for!

Children and young people should grow up:

1. Having the right to an active say in any development that affects them
2. Healthy
3. Emotionally secure and confident
4. Having succeeded as far as they can at school
5. Having facilities and opportunities to play safely
6. Having stayed out of trouble
7. Living in a safe place
8. Having the opportunity to succeed in their dreams

Portsmouth CDT (2006), *TURNING THE CURVE TOOLKIT: 'From Talk to Action – Making a Difference to Children, Young People and Families' Lives'*. London: Every Child Matters (<http://www.dcsf.gov.uk/everychildmatters/resources-and-practice/EP00201/>).

As these were embedded in the national toolkit, there was some confusion about how much leeway local Children's Services had in interpreting the five statutory outcomes. In contrast, a national toolkit for post-16 education services (Nelson and Colne College, 2007), developed by a national Learning and Skills Beacon College, kept strictly to the five statutory outcomes.

Role of the third sector in the model

There were several references to the voluntary sector in the original report, with a note that more guidance would be forthcoming in a later HM Treasury report (which appeared as HM Treasury, 2006). However, the third sector was given a relatively small role in this original model.

Achieving Better Outcomes: Commissioning in Children's Services (2009)

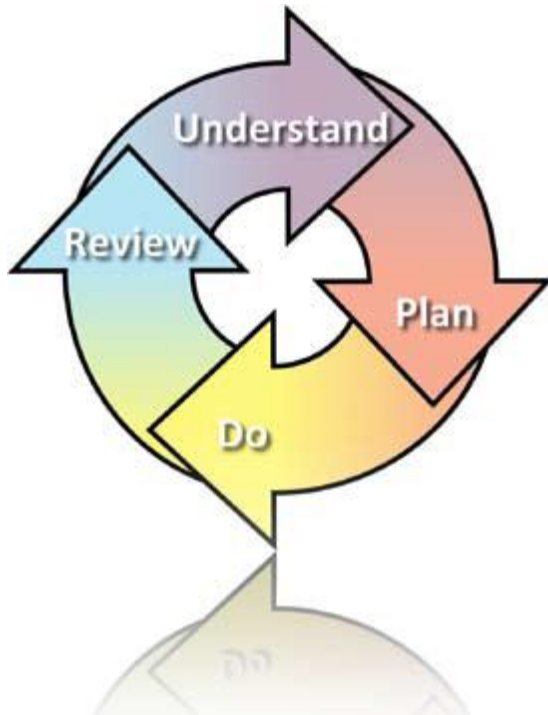
Recently, the Commissioning Support Programme (CSP, 2009: 5) summarised the commissioning position in the field of Children's Services as follows: "There are many different descriptions of the commissioning process, often reflecting specific local circumstances, with many Children's Trust partners using the nine-step framework developed by the government in 2005 and the framework published by the Department of Health in 2007. Securing Better Health for Children and Young People Through World Class Commissioning was published to accompany Healthy Lives, Brighter Futures – a strategy for children and young people's health (February 2009: 11) and provides a useful summary of

the key commissioning stages and guidance to support joint working. ... It doesn't matter which model or process local partners choose to follow as long as:

- all partners agree on the process and understand it
- the process covers some form of needs analysis and planning, investment (funding, staff, training, etc.) against this plan and review of the efficacy of this investment”

The commissioning cycle within the model

Figure 5: Commissioning Cycle in Commissioning Support Programme (CSP, 2009)



What is included within the term 'commissioning' in the model

- *Understand* – recognise local needs, resources and priorities and agree what the desired end product should be.
- *Plan* – map out and consider different ways of addressing the needs identified through the needs assessment. How can they be addressed effectively, efficiently, equitably and in a sustainable way?
- *Do* – make investment decisions based on the appropriate action identified in the 'plan' stage to secure delivery of the desired services. (The Children's Trust partners will implement the Children's and Young People's Plan (CYPP).) This may be in full partnership or informal co-operation with individual partners undertaking activities aligned within the agreed plan. This investment can be in any or all of the areas of planning set out above.
- *Review* – monitor service delivery against expected outcomes and report how well it is doing against the plan. This is in effect asking – did our 'do' phase deliver on the 'plan' we put in place to deliver against what we 'understand' to be the needs?

Evidence on the performance of the commissioning approach to date

OPM (2008: 24) reported that “there is no evaluation research evidence on the different approaches to commissioning in the NHS”. We have not yet identified any subsequent research which provides such evidence.

The performance management regime

The CSP (2009: 12) report states that “Where performance management indicates that services are inefficient, ineffective or unsustainable, commissioners will either support and challenge that service to improve or decommission it and find other provision to meet the identified needs. Commissioners need good-quality performance information and analysis to help them judge the efficiency and effectiveness of services, and to justify changes to internal and external services and contracts in order to achieve an excellent standard of service delivery. Over time, commissioners will want to develop systems that monitor outputs, finances and, crucially, quality of service (including customer feedback) in order to reach a view about whether outcomes are improving. Performance management techniques will influence the way providers behave – commissioners will want to ensure that providers focus clearly on outcomes.” In practice, PCTs are subject to the ‘vital signs’ performance monitoring system which is required by DH and both PCTs and local authorities (including Children’s Trusts) are subject to monitoring of the indicators in the National Indicator set (particularly those chosen among the 35 priority targets in each Local Area Agreement), as well as more background indicators set by DCSF and DH.

In particular, CSP (2009: 6) reminds Children Services that “part of the review role includes considering whether the CYPP is addressing identified needs and monitoring whether Children’s Trust partners are acting in accordance with the commitments they made in the CYPP. (This corresponds with the requirement that the Children’s Trust Board monitors and reviews the CYPP). The review should feed into the next phase of commissioning; it is a key source of information for the ‘understand’ and ‘plan’ phases.”

Outcome orientation of the model

Again, this model is based on the statutorily defined Every Child Matters outcomes, which are also built into the National Indicator set. CSP (2009: 14) states that “All decisions should be based on improving outcomes for children, young people and their families, with a clear rationale based on robust analysis and evidence. This focus on outcomes runs through all aspects of the commissioning process: mapping needs and demand, ensuring user participation, using outcomes-based contracts and monitoring service effectiveness. All of this needs to be underpinned by continuous improvement.”

Role of the third sector in the model

CSP (2009: 8) states that each new statutory Children’s Trust Board “must include a representative of the local authority and each of its statutory ‘relevant partners’ ... including ones from the third sector, as appropriate, to reflect local circumstances.” Later (CSP, 2009: 12), Commissioners are advised “to map and understand commissioning activity across all Children’s Trust partners, i.e. what is currently commissioned across all children’s services that directly affects children’s outcomes (including public, private and third-sector providers).” Clearly, this model is not intended to be driven by third sector concerns or organisations.

The National Commissioning Framework (NCF) for young people, April 2010

Building on the Every Child Matters model, the NCF sets out core systems for planning, commissioning, procuring and funding for the education and training of three groups: 16-19 year olds, young people up to age 25 where a learning difficulty assessment is in place, and young offenders in youth custody.

This approach has been developed by the Young People's Learning Agency (YPLA) to provide guidance to local authorities on the process for planning and commissioning learning provision for young people in England for the academic year 2011/12. The NCF is intended to provide the information necessary for local authorities to prepare for and implement their role as lead commissioner and to set out the roles and responsibilities of other stakeholders, together with the processes and timescales to ensure that the new system works.

A number of principles behind the model are stated:

- The nature and volume of education and training places and opportunities will need to change and develop as the needs of learners and employers change, and in working towards longer-term objectives for participation.
- The process of commissioning provision from individual providers must sit within the wider and longer-term context of strategic plans for 16-19 provision for local authority areas and across local authority boundaries.
- Local authorities and other key partners in the planning process need to review some key strategic questions, including:
 - what provision will need to be in place in order to ensure participation in education, training or work with training by all relevant young people;
 - how local authorities can best work with providers and other partners to decide on the best configuration of provision in an area (and across local authority boundaries).
- Local authorities and other stakeholders will need to:
 - produce a clear statement of the current position in terms of the level of participation and the mix, the balance and the quality of provision;
 - work with (in particular) the YPLA regional strategic analysis teams to review and agree forecast future needs; identify the likely future budget and funding position;
 - identify the main risks and perceived gaps, and also the major changes that might be required in terms of altering the configuration of provision within an area and across boundaries; and
 - align capital and revenue spending plans to support significant changes in the pattern and nature of provision.

Commissioning cycle in the model

Local authorities are stated to have a range of commissioning responsibilities, and are expected to use different processes, as appropriate, for the commissioning of different services. The NCF states that good commissioning processes all involve:

- understanding the needs of the community;
- planning the best approach to meet those needs;
- taking action to make appropriate provision (including procurement, funding and market and workforce management); and
- reviewing services and requirements regularly.

Evidence on the performance of the commissioning approach to date

An impact assessment of the Apprenticeships, Skills, Children and Learning (ASCL) Act 2009 (which underpins the new arrangements) has been published. It noted that there was limited but significant evidence that local authority commissioning services for young people had been successful in raising standards and improving the services provided, thus demonstrating the experience and expertise that local authorities had built up around commissioning (Para 23).

The NCF document states that further work will be carried out in 2010 across the DCSF, YPLA, local authorities and other stakeholders, in order to review the need to produce further guidance and detail on strategic commissioning.

Performance management regime

The Consultation Document for the NCF (November 2009) set out the performance management proposals, revolving around the Public Sector Agreement (PSA) Targets on strategic priorities for the service.

Overall responsibility and accountability for PSA targets would rest with DCSF but local authorities are expected, through their 14-19 plans, to set out:

- the high level strategy and priorities for delivering the 14-19 entitlement including improving participation and attainment and preparing for the raising of the participation age;
- the operational elements to deliver that strategy;
- targets and milestones for achieving national priorities including attainment and NEET (not in employment, education or training) PSA targets, full participation by 2013/15, the Diploma entitlement;
- analysis of the local context and current performance to support these targets and trajectories;
- the roles of partners in delivering these (including financial roles and relationships);
- mechanisms for monitoring and evaluating the effectiveness of delivery.

The Consultation Document states that, where a local authority has chosen a PSA target as an indicator in its Local Area Agreement, it will be held to account, through the Comprehensive Area Assessment (CAA), for its performance against that target. Moreover, Government Offices (GOs) will provide challenge and support to local authorities about the achievement of PSA targets through priorities conversations and 14-19 Progress Checks. In addition, GOs (and the CAA) will hold local authorities to account for the overall performance of all provision they fund in the local area as part of delivering against the National Indicator Set. [Note that this discussion appears to ignore the fact that Local Area Agreements are made by all the partners in the Local Strategic Partnership, not simply by the local authorities and that the CAA is intended to hold all partners to account for the agreed priority targets].

Outcome orientation of the model

Again, this model uses the statutorily defined Every Child Matters outcomes, which are also built into the National Indicator set. The NCF states that “good commissioning results in a diverse and sustainable provider base, with provision that meets the needs of the community and will enable diverse outcomes to be achieved.”

Role of the third sector in the model

The NCF states (para 79) that “It will be important for local authorities to be aware of the contribution that providers other than schools and colleges make to 16-19 education and training. Private and third sector providers not only offer learning but are also key players in the design and planning of services to young people. They often have particular skills and experience in engaging young people who are not ready for more formal education or training, and those who are not in education, employment or training, or who need additional support to re-engage, working with both the young person and their family.” However, the third sector is otherwise largely absent from the framework.

DCSF schools commissioning pilot

The OPM (2008) report outlines a slightly different model emerging from the schools commissioning pilot (Crombie, 2008). It notes that this approach does, however, cover similar steps in commissioning as the 9-step triangle in the Every Child Matters model.

Figure 6: Commissioning cycle for Schools Commissioning Pilot (OPM, 2008)

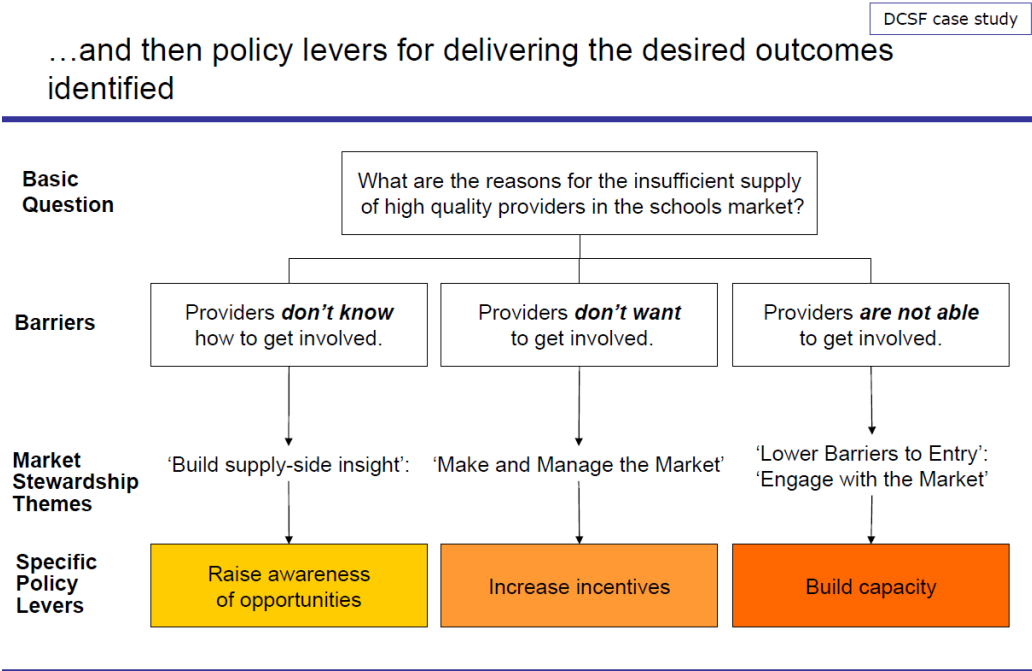


Source: Crombie, A.(2008) DCSF (schools) presentation on schools commissioning and the findings from the schools commissioning pilot.

A joint DCSF/Cabinet Office study of these pilots (Haubrich, 2007: slides 48-51) showed how the commissioning approach might be applied to schools, even though it cautioned that the characteristics of the schools system do not necessarily resemble those of other services – parental demand is inflexible, commissioners have few levers (since the majority of funding flows directly to schools), funding per pupil is fixed, there are no contracts between commissioners and providers setting out expected outcomes, only non-profit organisations can run schools, and the term provider can cover a wide range of roles. However, in the diagram below, the Haubrich study demonstrated how some specific policy levers for delivering the desired outcomes might be identified.

We have not been able to get further information on this model.

Figure 7: Policy levers for delivering desired outcomes (Haubrich, 2007)



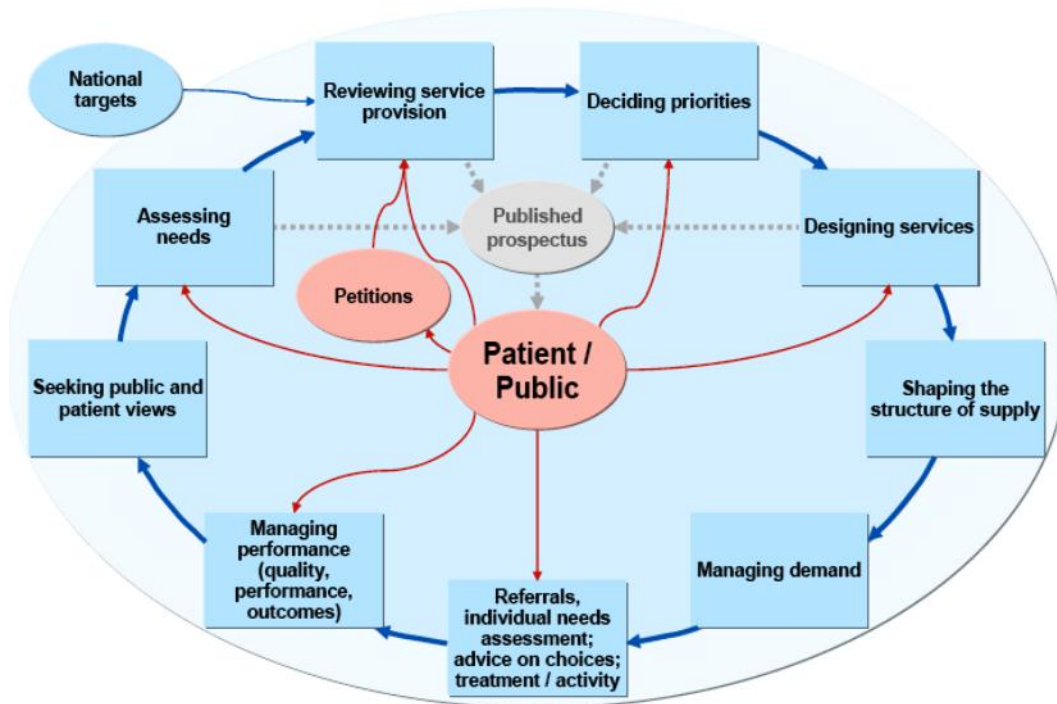
Health reform in England: update and commissioning framework – Annex: the commissioning framework (DH, 2006)

This document states that the commissioning framework sets out an over-arching vision for the commissioning role of a Primary Care Trust (PCT), which is responsible for commissioning the full range of health services for its population, working in partnership with practices to promote practice-based commissioning (PBC). This document deals primarily with commissioning arrangements for hospital services covered by Choice and Payment by Results (PbR), and is meant to complement the Joint Planning and Commissioning framework for Children, Young People and Maternity Services (see the previous model in this section) which was also published in 2006. There was much criticism at the time that DH had been part of the development of two separate frameworks at the same time, while there was increasing demand from government for more joined-up working.

The commissioning cycle within the model

Figure 8: Commissioning cycle for PCTs (DH, 2006)

Definition - The 'Commissioning Cycle'



What is included within the term 'commissioning' in the model

This model does not include service delivery as part of the commissioning cycle. It highlights 'structure of supply', 'managing demand' and 'managing performance' but not 'market development', unlike the Every Child Matters commissioning framework.

The performance management regime

DH (2006: 3) states that the goals of effective commissioning are to:

- improve health and wellbeing and reduce health inequalities and social exclusion;
- secure access to a comprehensive range of services;
- improve the quality, effectiveness and efficiency of services; and
- increase choice for patients and ensure a better experience of care through greater responsiveness to people's needs.

It states that PCT performance will be assessed and managed against these outcomes by Strategic Health Authorities (SHAs), and the Healthcare Commission (whose functions have now been taken over by the Care Quality Commission) will publish independent information on PCT commissioning to support public accountability. Cascaded down from this, practices are expected to manage their indicative budget to maximise the benefits from the resources available to them, and to develop systems to allow practices to monitor the services their patients receive through accurate, relevant and

timely data. PCTs will be responsible for the aggregated financial position and for ensuring financial balance overall.

Evidence on the performance of the commissioning approach to date

This framework has been overtaken by 'World Class Commissioning' and so has not been directly tested, as far as we can tell. However, some early commentators were sceptical. The review by Smith, Lewis and Harrison (2006) raised the uncomfortable question: will it really be different this time, and if so why and how? They argued that, to a large extent, PCTs would employ the same people as before and that the time and resource for significant training and development was unlikely to come on stream quickly. PCTs would therefore spend many months recovering from this latest phase of structural change, and research evidence confirms that such reorganisations have a detrimental effect on service development and staff morale, and that effective leadership and human resource management is needed over a period of years if the promised benefits of reorganisation (in this case stronger commissioning) are to be even partly realised (Smith et al., 2006).

Outcome orientation of the model

Outcomes enter this model in several stages of the commissioning cycle – e.g. with respect to national targets, designing services, needs assessment and managing performance, with the concerns of patients and the public seen as informing most of the stages. The model is not, however, explicit on what outcomes are to be sought through the commissioning process. Moreover, the performance management regime which backs up this commissioning cycle is not particularly outcome-oriented, given its concerns with many aspects of process in health access and health care. However, health outcomes are also included within the performance management regime, so that the final outcome orientation of the model depends upon how it is interpreted in practice.

Role of the third sector in the model

DH (2006: 1) states that "The framework has been informed by the valuable work of the Third Sector Commissioning Task force, which has highlighted the issues that need to be addressed to enable a full range of service providers, including those in the third sector, to participate in providing health and social care services." In its discussion of shaping supply (p. 7) it states that "Where appropriate, PCTs will encourage practices to offer services locally and also attract private sector and third sector providers to offer services in line with identified needs and priorities. Incentives and levers will be available to PCTs to stimulate the supply of services."

Later in the document (p. 14), it suggests that the PCT might reduce the barriers to new providers arising from the need for new capital investment in a new service by considering a variety of different ownership and service delivery models, such as not-for-profit ownership (where the assets would be owned and run by the third sector, for example charities, social enterprises and co-operative ventures) or joint venture ownership (where ownership and management might be shared by the third sector with public or independent sector organisations).

On page 18, the document suggests that "Full consultation will help to achieve this, and many third sector organisations should be systematically involved, as they are able to provide valuable insights into users' views and unmet needs, as well as provide clear and well-grounded views on how best to achieve the outcomes service users want."

The Commissioning Framework for Health and Well-being (DH, 2007b)

This framework builds on the White Paper *Our health, our care, our say*, which promised to help people stay healthy and independent, to give people choice in their care services, to deliver services closer to home and to tackle inequalities. Although issued by DH, it has a joint foreword by the Secretaries of State for Health and for Communities and Local Government, which states that local commissioners have the opportunity to make a real difference by focusing on the outcomes that people want for themselves and for their communities (p. 4). The document goes on to argue, though, that the health service is still too focused on commissioning for volume and price, rather than for quality and outcomes (p. 7). The most distinctive focus of the White Paper is on partnership working at all stages of the commissioning cycle.

The White Paper builds on the “essential principles and processes for good quality commissioning” set out in *Health reform in England: update and commissioning framework* (July 2006) and in *Joint planning and commissioning framework for children, young people and maternity services* (Annex C).

The White Paper (p. 11) defines commissioning as “the means to secure the best value for local citizens. It is the process of translating aspirations and need, by specifying and procuring services for the local population, into services for users which:

- deliver the best possible health and well-being outcomes, including promoting equality;
- provide the best possible health and social care provision;
- achieve this within the best use of available resources.”

The commissioning cycle

This framework identifies eight steps to more effective commissioning:

1. Putting people at the centre of commissioning
2. Understanding the needs of populations and individuals
 - joint strategic needs assessment by councils, PCTs and practice-based commissioners
3. Sharing and using information more effectively
4. Assuring high quality providers for all services
 - commissioners should develop effective, strong partnerships with providers and engage them in needs assessments
 - commissioning will be focused on outcomes
 - leading to more innovative provision, tailored to the needs of individuals and supplied by a wider range of providers.
5. Recognising the interdependence between work, health and well-being
 - commissioners can facilitate collaborative approaches with businesses to improve advice and support for individuals.
 - additionally, all providers of NHS care will be incentivised to support and promote the health and well-being of their employees.

6. Developing incentives for commissioning for health and well-being
 - bringing together local partners in LAAs will help to promote health, well-being and independence, by using contracts, pooling budgets and using the flexibilities of direct payments and practice-based commissioning.
7. Making it happen – local accountability
 - CLG will develop a single health and social care vision and outcomes framework, including a set of outcomes metrics aligned with the framework.
8. Making it happen – capability and leadership
 - DH and other national stakeholders will provide support to all local commissioners to address their capability gaps, where these national organisations can add real value. This support will be tailored to different types of commissioners – PCTs, practice based commissioners and local authorities.

What is included within the term ‘commissioning’ in the model

This model has a strong emphasis on planning and procurement. It stresses the importance of strategic planning and consistency of approach from commissioners, in consideration of the needs of the third sector. It has a stronger explicit orientation towards ensuring high quality delivery and towards partnership working than the models on which it was based. It also emphasises the role of the workforce to a much greater extent than other models.

The performance management regime

The White Paper emphasises (p. 14) that the government is moving away from a system “looking upwards: national targets and central initiatives predominate; local voice minimal, incentives unaligned with commissioning priorities” towards an emphasis on looking outwards: engaging with people locally; focusing on addressing the needs of the local population; aligning incentives with commissioning priorities.

The White Paper states (pp. 58-59) that government will be “developing a new type of performance framework focused on local priorities and based on outcomes, creating a single performance framework for everything done by local authorities on their own and in partnership with health bodies, and committing to NHS co-operation in ensuring the complete alignment of accountability and performance regimes”. This is clearly meant to be a reference to the CAA framework.

Evidence on the performance of the commissioning approach to date

In one of the few considerations of the evidence to date, Boyce, Robertson and Dixon (2008) have suggested that, although the framework encouraged commissioners to incentivise the promotion of health, well-being, dignity and independence for all and to commission for outcomes, it lacked detail about what commissioners were expected to do in practice.

However, the framework has now been superseded by World Class Commissioning, at least as far as DH services are concerned, so it is unlikely that more detailed evaluations will now be undertaken.

More generally, a Civitas report looked at the evidence on the impact of health service reforms since 1991.¹ It concluded that, while evidence on the impact on quality of care is mixed, attributable impacts could be discerned in the form of reduced waiting times, improved access for patients, and increased provider efficiency. However, potential confounding factors (such as simultaneous increases in funding and pressure from enforced targets), along with weak monitoring strategies, make attribution to 'market' policies alone questionable, although the market reforms had unmistakable effects in the NHS on a system-wide awareness of costs, efficiency and accountability. Of course, 'market' reforms are not synonymous with commissioning approaches, although there is considerable overlap.

Outcome orientation of the model

The White Paper states (p. 7): "We now need to keep the focus on people – not just people who are ill, but everybody. And we need to look further than just physical health problems, to promote well-being, which includes social care, work, housing and all the other elements that build a sustainable community." It goes on to suggest (pp. 40-1) that "Commissioners are more likely to secure cost-effective high quality provision if they commission for outcomes and outputs. This means judging success by the tangible benefits achieved by the people that services are designed to serve. That means moving away from counting services given (treatment episodes, prescriptions) to counting outcomes achieved (back in work, significant weight loss). ... This has to be the right way forward, but we recognise that it will take time. It will require changes in financial and auditing systems to provide greater flexibility, and systems of care management and assessment which enable people at individual level to consider and express the outcomes they wish to gain." However, the White Paper can be characterised as more focused on needs analysis than outcomes analysis – a search of the document reveals that the word 'outcomes' occurs only 71 times, compared to 171 uses of the word 'needs'.

Role of the third sector in the model

In the Commissioning Framework for Health and Well-being' (DH, 2007b) the inclusion of the third sector is rationalised in terms of achieving greater choice, innovation and user-centred service interventions. Needs assessment and service delivery are highlighted as the areas of the commissioning cycle most suited to third sector input, where the advocacy skills of TSOs and the in-depth knowledge of user groups can be harnessed.

The 'Response to the Report of the DH Third Sector Commissioning Task Force' (NCVO, 2006) outlines recommendations and outputs from the task force which involve the third sector in transforming public services. These include the need to overcome barriers to third sector involvement by raising the profile and credibility of the sector amongst local authority and PCT commissioners. However, much of the detail relates essentially to procurement issues – there is a particular focus on standardising contracts as part of a move to develop more joined up services but with a recommendation (NCVO, 2006: §4.1) for procurement contracts to accommodate the third sector's local flexibility and responsiveness to users.

¹ http://www.civitas.org.uk/nhs/download/Civitas_LiteratureReview_NHS_market_Feb10.pdf

World class commissioning (Department of Health, 2007c)

The final model which we consider in this cluster of health and social wellbeing models is the World Class Commissioning (WCC) model which was first launched by the Department of Health in 2007. Although the previous model, the Commissioning Framework for Health and Wellbeing, was published in the same year and placed great emphasis on joint processes between health and local government, WCC was (and remains) largely a health-based approach to commissioning.

The commissioning cycle within the model

WCC has placed less emphasis than most of the previous models on a single pictorial representation of the commissioning cycle. However, the figure below shows its main components. It suggests that the vision for world class commissioning describes a patient-centred model with long-term, preventive objectives towards health improvement. The vision is elaborated by a set of competencies required to achieve successful outcomes through commissioning. Central to the competency set are local leadership, engagement with community partners and collaboration with clinicians.

What is included within the term ‘commissioning’ in the model

The model addresses both planning and practical implementation of the commissioning process. It separates planning, procurement, and monitoring and evaluation of services. It envisages service delivery as separate from the commissioning process.

Figure 9: World Class Commissioning – the cycle



The performance management regime

The delivery of the WCC vision and competencies is supported by a commissioning assurance system, with an annual process of reviewing PCT progress towards achieving better health outcomes for their populations and agreement on further development. This national system of commissioning assurance is locally managed by strategic health authorities (SHAs). The details of the assurance system are set out in a commissioning assurance handbook, supported by a toolkit including all the tools and templates needed to implement the system.

The Commissioning Assurance Handbook (DH, 2009c) states that WCC assurance is intended to be “a nationally consistent system that:

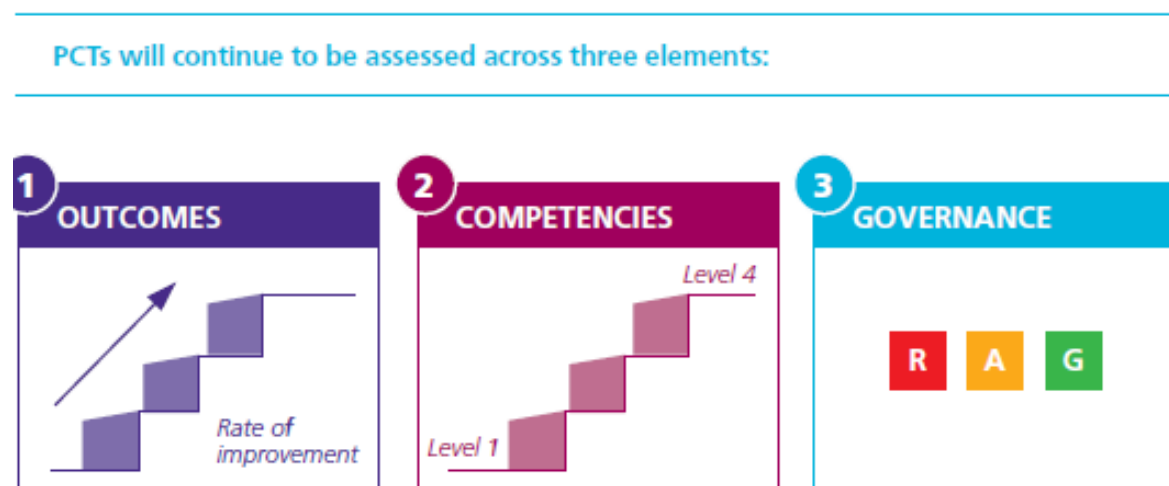
- supports and develops PCTs towards world class performance, the achievement of better health outcomes and the reduction of health inequalities;
- holds PCTs to account for performance improvements in commissioning capabilities and outcome improvements;
- rewards success;
- provides a common basis for agreeing further development and enables reliable comparison of performance across all PCTs.”

Each PCT’s results is published nationally by DH.

The framework requires assessment against three elements – outcomes, competencies and governance (see Figure 10). The three elements are assessed using a combination of approaches, including self-assessment, feedback from partners, evidence gathering and review of data. WCC aims to place as little extra burden on PCTs as possible, while ensuring a robust process for challenge and development – consequently, as assurance becomes increasingly embedded in routine business, DH expects it to require fewer resources over time on the part of PCTs.

SHAs manage WCC assurance locally, and are responsible for running the process. DH oversees WCC assurance, setting the common framework, and acting as moderator for any changes to the process, including running the national calibration process and publishing the results.

Figure 10: Assessment of PCT performance (DH, 2009c)



The competencies in WCC require commissioners of services to:

- locally lead the NHS
- work with community partners
- engage with public and patients
- collaborate with clinicians
- manage knowledge and assess needs
- prioritise investment
- stimulate the market
- promote improvement and innovation
- secure procurement skills
- manage the local health system
- make sound financial investments.

Various information inputs to the WCC process come from different parts of the health system. Figure 11 shows the information and intelligence inputs of a typical Public Health Observatory (PHO) (APHO, 2009).

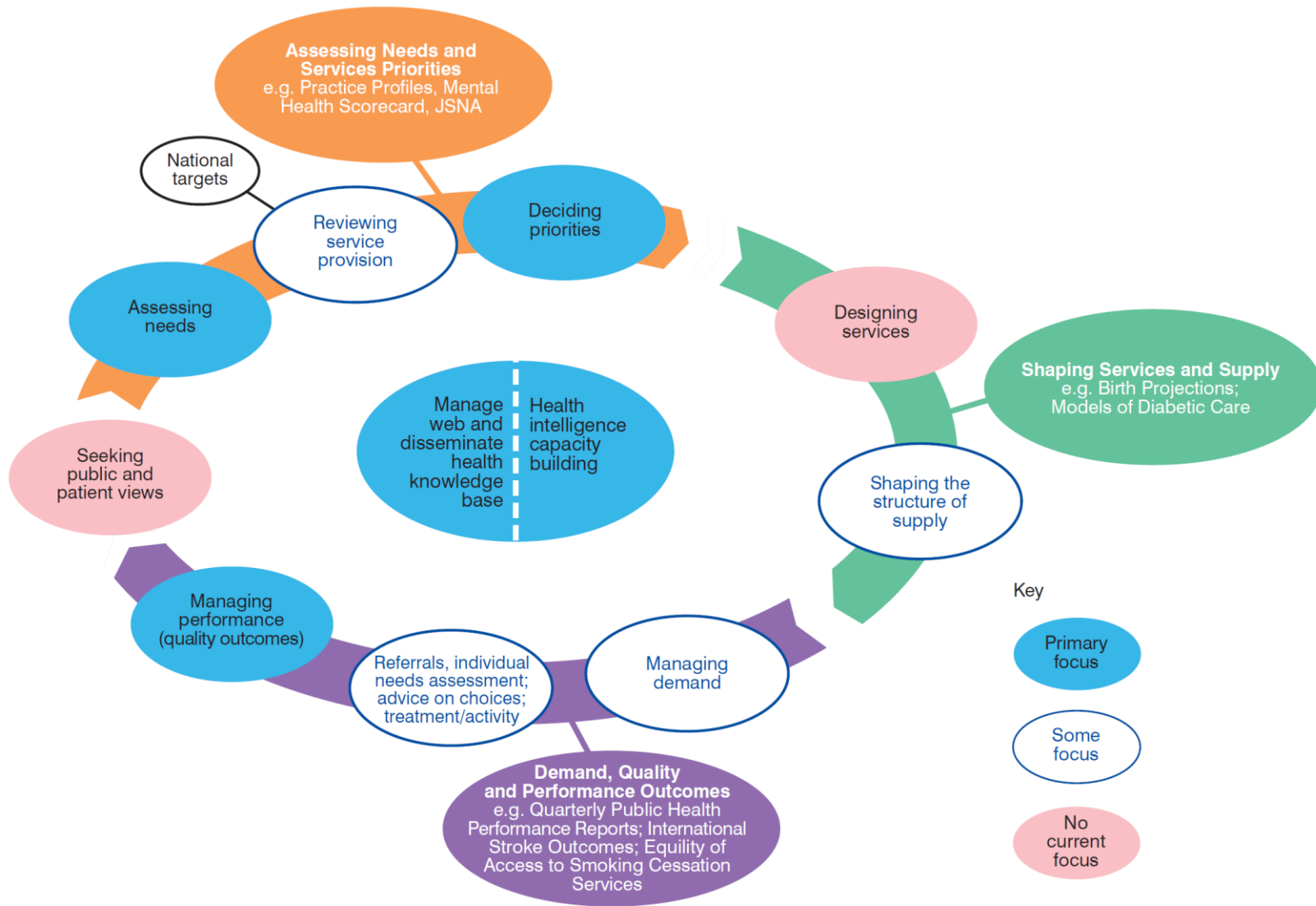
As WCC assessments deliver a view of a PCT's commissioning capacity and capability, the Audit Commission has agreed with the Department of Health that its use of resources assessment will not include a scored judgement for Key Line of Enquiry (KLOE) 2.1 ("Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?") at PCT level, to avoid duplication of work with the WCC assessment. This does, however, make it more difficult to compare PCT and local government performance on the organisational use of resources.

Evidence on the performance of the commissioning approach to date

The 'tagline' of WCC is 'Adding life to years and years to life'. Its statement of intent 'to deliver long-term improvements in the health and well-being of local communities' puts better preventive care at the heart of what it wants to achieve. However, Boyce, Robertson and Dixon (2008) suggested that, up to 2008, PCTs appeared to have continued to focus on commissioning in the acute sector. They suggested that, if the vision of WCC was to become a reality, PCTs needed to give equal priority to commissioning for health and well-being. They went on to suggest (p. 20) that "To facilitate evidence-based commissioning, primary care trusts (PCTs) need good quality evidence on the impact and cost-effectiveness of behaviour change interventions. In each of the areas covered by the *Kicking Bad Habits* discussion papers, it was difficult to find this good-quality evidence."

Thorlby and Maybin (2010) report that, in spite of the 2007 launch of WCC, with its intent to improve PCT performance, it is still not clear whether PCTs have the power and resources to challenge powerful acute providers. They cite the evidence from the WCC assurance review in 2009, which found that fewer than 20 per cent of PCTs were eligible to be awarded 'green lights' across the three main competency areas of strategy, board governance and finance.

Figure 11: Information and Intelligence for Commissioning – a PHO contribution



Outcome orientation of the model

World class commissioning is an outcome-based model with a clear focus on developing the organisational competencies of commissioners. The outcome-based approach of the model is evident in an annual assurance process which forms a key aspect of the programme. Implementation is specifically addressed through a support and development framework, providing further guidance around good practice for planning and procurement activities.

The NHS Act 2006 has placed a legal duty on PCTs and SHAs to produce a report each year on what influence the public's views have had on commissioning decisions. The first reports are due to be produced by September 2010 (Thorlby and Maybin, 2010).

Role of the third sector in the model

The emphasis on community partnerships, governed by PCTs, provides the key link to encouraging independent providers, such as the third sector. The self-assessment tool created for commissioners of services to children and young people (DH 2007c) emphasised the importance of integrated approaches to commissioning, especially in relation to health and social care, and the assessment tool drew attention to the scope for partnership beyond local authorities and PCTs to TSOs and other independent providers.

Office of Government Commerce Procurement Model

The Office of Government Commerce (OGC) developed a graphic representation of a procurement process on its website, demonstrating the stages involved in planning and managing a generic procurement project (see Figure 12) , which can be contrasted with a commissioning process.²

Figure 12: Stages in planning and managing a procurement project (OGC website)



² (Accessed through <http://www.yhsccommissioning.org.uk/index.php?pageNo=590> – no longer available on OGC website).

What is included within the term 'commissioning' in the model

This model has a strong focus on procurement. The delivery of services is seen as lying outside the procurement role.

The OGC Commercial Strategy Template (currently available on its website, section 16) states that “departments will have a varied approach to commissioning and possibly even apply a different definition. The following are some words that may be included to ensure commissioning is captured within the scope of the commercial strategy: Commissioning is where the public sector decides the services, service outcomes or the products that it needs, acquires them and makes sure that they meet requirements. There is much debate about whether commissioning is synonymous with procurement or merely includes procurement. What is certain is that for procurement to be effective as a business tool, organisations need to cover the same activities as commissioning – identification of needs, acquisition and management of benefits” (OGC Policy and Standards Framework 2008). It is noticeable, however, that the model above does not have separate boxes for needs analysis or management of benefits.

As this is not a commissioning model as such, we do not further consider the themes of the performance management regime, outcome orientation or the role of the third sector.

CLG guidance on strategic commissioning ‘Creating strong, safe, prosperous communities’ (CLG, 2008)

This guidance examines the role of local authorities regarding commissioning. The guidance make it clear that local authorities should take on commissioning roles, making the best use of varied local resources to shape the experiences of their community. As well as local planning functions the framework stresses the importance of rigorous review, assessment and evaluation. It highlights that a mixed economy of provision should be utilised toward proven service and outcome improvements.

The guidance states that local authorities (and other best value authorities) are under a general duty of best value to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.” To fulfil this duty of best value, authorities should seek to balance their objectives, including:

- responding to the needs of all sections of the community, including groups with complex or specialist needs;
- seeking to address the whole-life costs of decisions, focusing on early intervention and achieving sustainable outcomes;
- exploiting economies of scale;
- achieving locally-responsive services.

The Guidance states that “local authorities will generally be better able to meet their best value duty by adopting a commissioning role”, in which the authority seeks to secure the best outcomes for their local communities by making use of all available resources, without regard for whether services are

provided in-house, externally or through various forms of partnership. The Guidance (para 6.11) states that, “while local authorities have discretion over how individual services are to be provided, best value is more likely to be achieved where there is a positive approach to achieving a mixed economy, rather than where any one supplier dominates the provision of services in an area.” It suggests that local authorities have a key role in shaping local public service markets “through dialogue and procurement to stimulate providers to develop innovative solutions.”

The Guidance was developed in close consultation with DCSF, so that it is fully compatible with the guidance on commissioning given on Children’s Services, which are of major importance to local government. Such close consultation does not appear to have been undertaken with DH, so there has not been the same degree of harmonisation with DH policy on commissioning. Moreover, the change of policy direction signalled in a speech by the Secretary of State for Health in September 2009, in which he stated that the NHS is the ‘supplier of choice’ for health services, appeared inconsistent with the policies set out for joint commissioning between DH, CLG and DCSF. It was also widely believed to be contrary to EU procurement law and the operating principles of DH’s advisory body, the NHS Co-operation and Competition Panel (Timmins, 2010; Gainsbury, 2010). A later statement by the DH Director of System Management and New Enterprise has clarified that this applied only to services currently provided by the NHS – where PCTs wished to commission new services, or new service models, or to increase patient choice, this should be subject to open competition (Hampson, 2010).

The commissioning cycle and what is included within ‘commissioning’ in the model

The Guidance states that commissioning involves:

- user and community engagement and needs analysis;
- strategically planning for services which deliver sustainable outcomes;
- implementing plans, shaping markets, securing services and outcomes;
- monitoring the delivery of outcomes, evaluating and challenging services.

It suggests that, if done well, this will enable local authorities to:

- seek opportunities for joint commissioning across local statutory bodies and thereby secure a more efficient use of resources;
- focus on understanding what communities need, and so to challenge existing service provision;
- avoid silos, and be creative in seeking opportunities to achieve cross-cutting objectives through mainstream services.

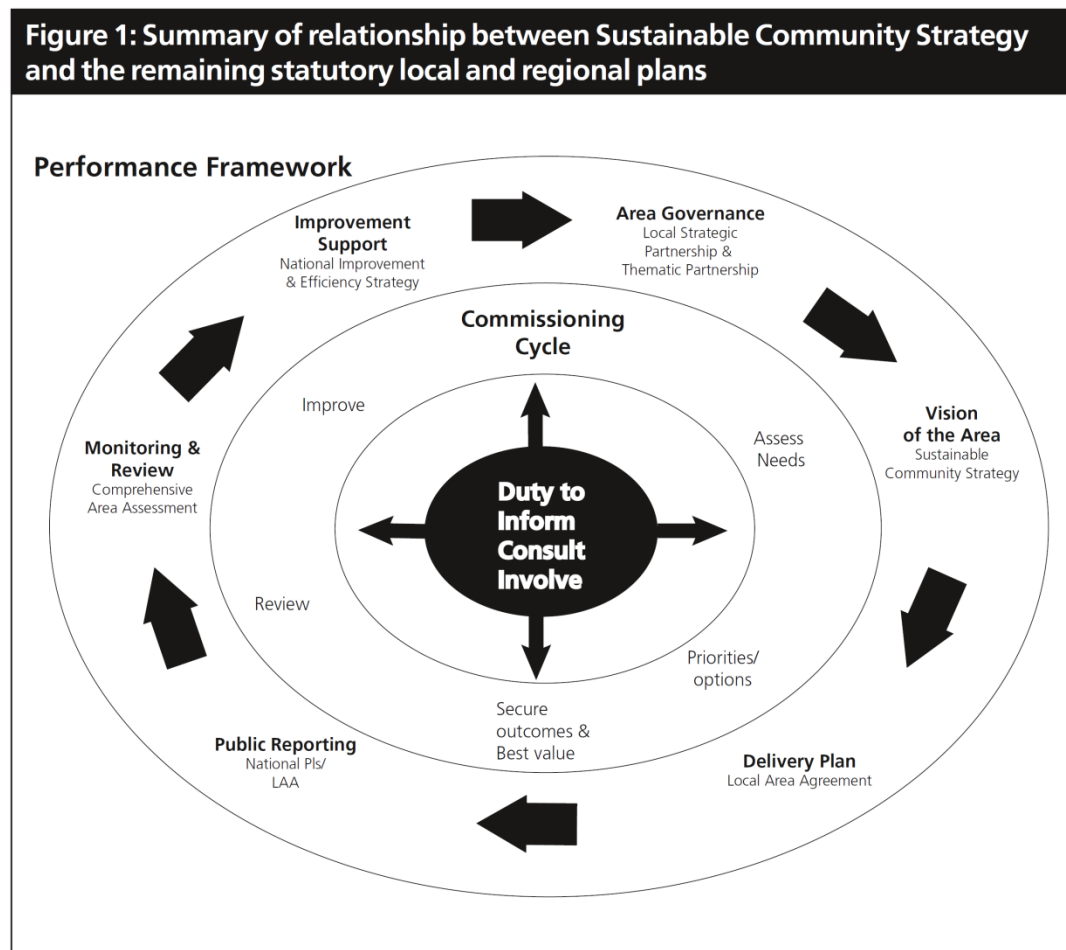
In the 2006 White Paper CLG insisted on the separation of ‘commissioning’ from ‘providing’, unlike the DH 2007 definition. However, its discussion of the elements of the commissioning cycle included identifying needs, planning, sourcing, delivery and performance management – in other words, virtually the whole of the management cycle. Indeed, it made it clear that the scope of strategic commissioning is very broad indeed, locating it as a vital part of ‘place shaping’, which it defines as building a vision of how to respond to and address a locality’s problems and challenges in a co-ordinated way, including issues such as economic futures, demographic shifts, climate change, offending, and cohesive communities. While this latter broad scope is still central to the 2008

Guidance, there is no specific reference to the separation of the 'commissioning' and 'delivering' role. However, the Guidance states that "Championing the needs of their communities requires local authorities to be clear about their role as both commissioner of services in the interest of the community and as a provider of some of those services. Whatever the organisational arrangements put in place there should be in all cases clear mechanisms for commissioners to hold in-house provider functions to account for delivery." (para. 6.14).

The performance management regime

The performance management regime behind the CLG model for local governance derives from the 2006 White Paper. It is based on the framework for the Sustainable Community Strategy, with the associated statutory local and regional plans (see Figure 13 from Statutory Guidance).

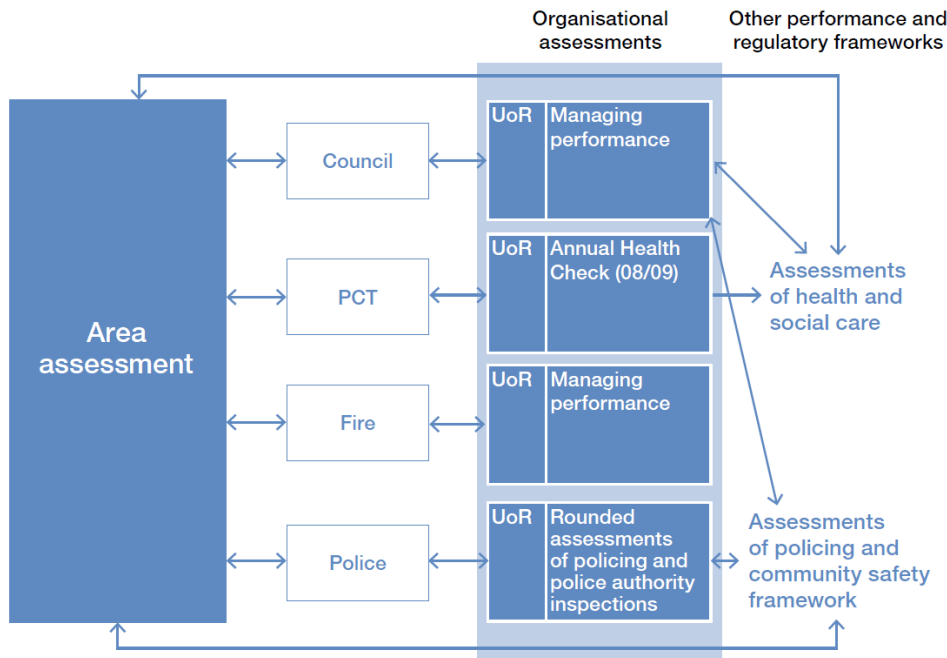
Figure 13: Summary of relationship between Sustainable Community Strategy and the remaining statutory local and regional plans (CLG, 2008).



The relationship of the specific performance management regimes which constitute the Performance Framework in this diagram is set out in the Comprehensive Area Assessment documentation (Audit Commission, 2009).

Figure 14: How CAA aligns to other performance frameworks (Audit Commission, 2009)

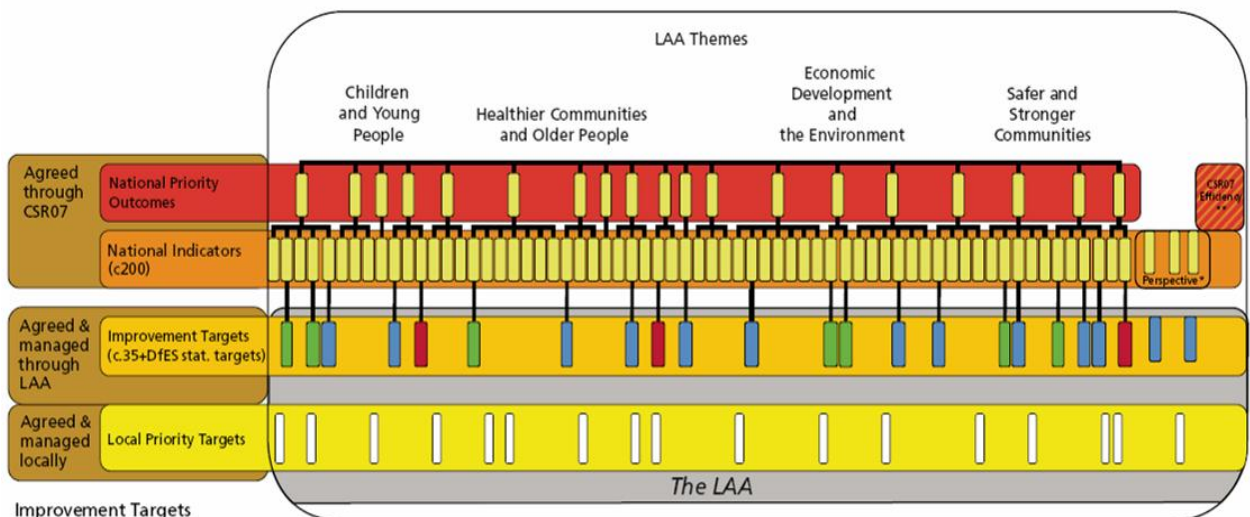
How CAA will align to other performance frameworks



For each of the local statutory bodies for which Use of Resources (UoR) assessments are made, a specific methodology is used. Key to the CAA assessment is the Outcomes-Targets-Indicators Framework, which is set out in Figure 15.

Figure 15: The Outcomes-Targets-Indicators Framework (Audit Commission, 2009)

The Outcomes-Targets-Indicators Framework



Improvement Targets

- = non-negotiable target (universal local targets where government determines that an equal level of improvement is required in all areas)
- = floor target (where minimum standards are not being met, these targets will specify the amount and/or timescale for improvement up to such standards)
- = negotiable target (issues for negotiation will be whether or not to have a target or the level it should be set. The negotiations will be aimed at balancing national requirements and local circumstances, performance and priorities)
- = local priority target (set by LAs and partners. Not subject to upward reporting or monitoring by central government)

* A few key national citizen satisfaction and perspective indicators in addition to any used as outcome indicators, eg satisfaction with place; perception of influence
 ** Whether any indicators or local targets are established and what form they would take will be confirmed as part of the CSR07 announcement.

In the CAA, one Key Line of Enquiry (KLOE 2.1) is: Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?

The Audit Commission assesses this for local authorities on the following criteria: the organisation:

- has a clear vision of intended outcomes for local people which shapes its commissioning and procurement, and is based on an ongoing analysis and understanding of needs;
- involves local people, partners, staff and suppliers in commissioning services;
- seeks to improve the customer experience, quality and value for money of services through service redesign, making effective use of IT;
- understands the supply market and seeks to influence and develop that market;
- evaluates different options (internal, external and jointly with partners) for procuring services and supplies; and
- reviews the competitiveness of services and achieves value for money, while meeting wider social, economic and environmental objectives.

Evidence on the performance of the commissioning approach to date

The Department has not commissioned any research to date on the performance of the commissioning approach.

The joint local inspectorates published an overview report of the first year of the Comprehensive Area Assessment (CAA). Interestingly, it only contains one reference to commissioning, in a section on how well local agencies are tackling inequality: “Good commissioning arrangements, effective targeting of pooled resources, and the work of community ‘birth buddies’ have steadily reduced the infant mortality rate and contributed to lower numbers of women smoking during pregnancy and higher numbers breastfeeding their babies.” (Audit Commission et al., 2010). Given the emphasis which has been placed on commissioning by central government, this appears odd. Moreover, the Audit Commission has recently commissioned an evaluation of the first year of the Comprehensive Area Assessment (Shared Intelligence et al., 2010). Again surprisingly, the word ‘commissioning’ does not figure in the report of the evaluation, although it does focus on the extent to which the CAA impacted on partnership working and the achievement of outcomes.

Outcome orientation of the model

The Guidance states that “To achieve the right outcomes for people and places, there needs to be timely monitoring, review and measurement of progress against targets.” Where an LSP collectively (giving a central position to the views of local communities) assesses that its activities have not resulted in the desired outcomes, the Guidance states that it needs to steer appropriate changes to plans and interventions. This places the major emphasis on the performance management system, rather than an outcomes orientation as such.

CLG sees the outcomes which are highest priority as being embedded within the National Indicator set, which form the basis of all Local Area Agreements, and which therefore are the backcloth to ‘commissioning for place’.

Role of the third sector in the model

The Guidance (para. 1.5) states that “Everyone has a role to play in creating strong, safe and prosperous communities. In every area, councils and local public service partners are already working together and in partnership with local businesses, third sector organisations and local people to improve local well-being.” It sets out specific ways in which the third sector can play a role in relation to working with other partners in the Local Strategy Partnership (and agreeing a Sustainable Community Strategy), responding to the 'duty to involve', helping to agree the new Local Area Agreements, and working together to achieve outcomes, particularly through commissioning.

The Guidance states that “Local authorities should be sensitive towards the capacity of both small and medium enterprises and their counterparts in the third sector, and work to establish a range of practical measures which will maximise their capacity to deliver community outcomes.” It suggests that grants have a crucial role, alongside contracts, and should be used where more appropriate, particularly in capacity-building, piloting new approaches to services and outcomes and for investment in partners’ projects. It points out that grants should be three years or more (subject to overall affordability and purpose, and the overall duty of best value), although there is a role for short-term grants for example in promoting new community-based organisations.

More specifically, in relation to the new duty to involve, the Guidance states that local authorities should think about involving the third sector where it is affected by or has an interest in a particular authority function; where third sector organisations might have a role as advocates for local people (particularly marginal and/or otherwise vulnerable groups); or where third sector organisations might be able to provide relevant expertise and specialist knowledge that might help the authority in reaching out to marginalised and vulnerable groups.

IDeA Model

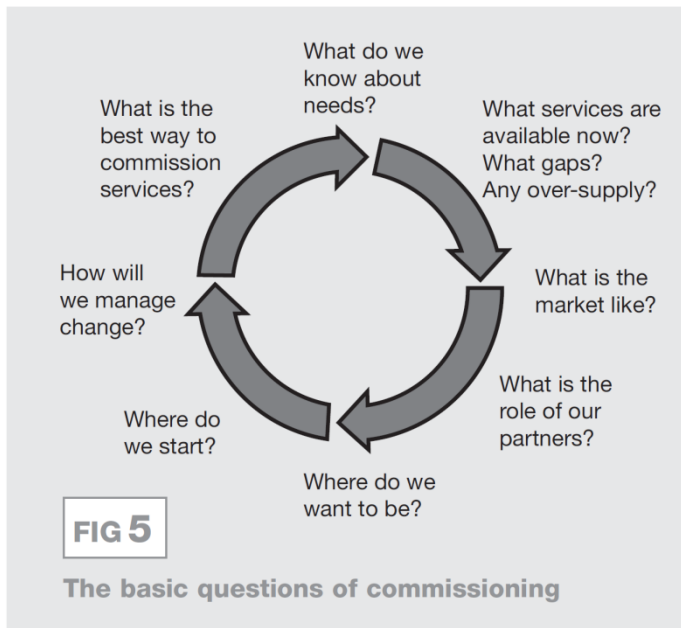
The Improvement and Development Agency (IDeA) presents a "social model" approach which involves shifting the focus from people’s deficits to people’s strengths and coping capacities and the obstacles they face in achieving their desired outcomes – obstacles that are as much a product of their social situation as of any personal limitations or impairments. Within this approach, the task of commissioning becomes one of purchasing substantially reconfigured services and interventions designed to:

- reduce or remove obstacles to the fulfilling of potential and achieving goals;
- enhance children’s, adults’ and families’ abilities, strengths and control over their own lives, and
- supplement their resources, as necessary, with access to services and/or payments.

The commissioning cycle within the model

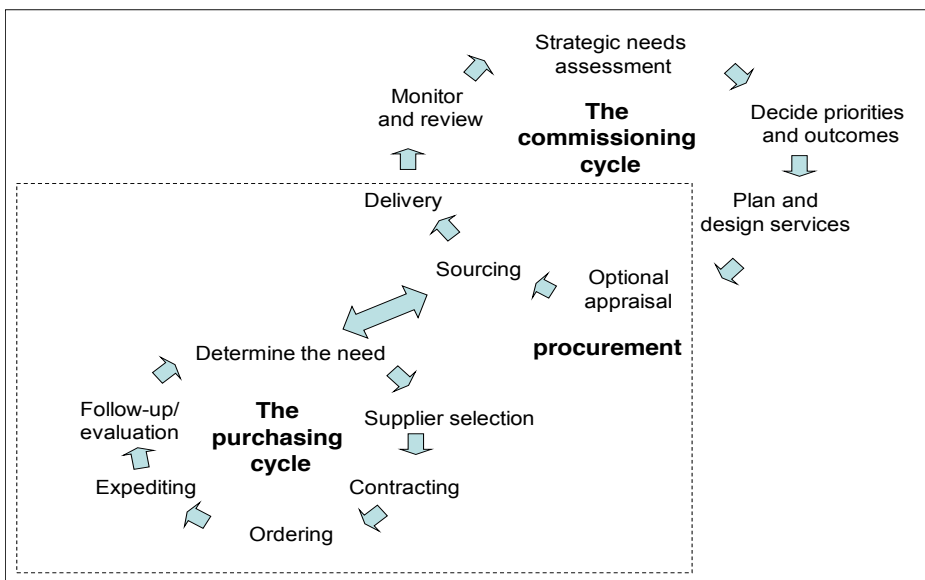
The overall approach is shown in Figure 16.

Figure 16: The IDeA Commissioning Cycle



A more detailed spelling out of this approach is provided by Murray (2009), Figure 17.

Figure 17: The Commissioning and Purchasing Cycles, and Procurement (Murray, 2009)



What is included within the term 'commissioning' in the model

This approach has the value of showing how the commissioning and purchasing cycles are related. It also clearly includes 'delivery' within the commissioning cycle.

The performance management regime

As this model is for guidance purposes only, there is no performance management regime attached to it.

Evidence on the performance of the commissioning approach to date

As this model is for guidance purposes only, it does not appear to have been implemented in its entirety anywhere, so there is no information available on its performance in practice.

Outcome orientation of the model

The IDeA model is particularly strong on process rather than the outcomes which that process is meant to achieve.

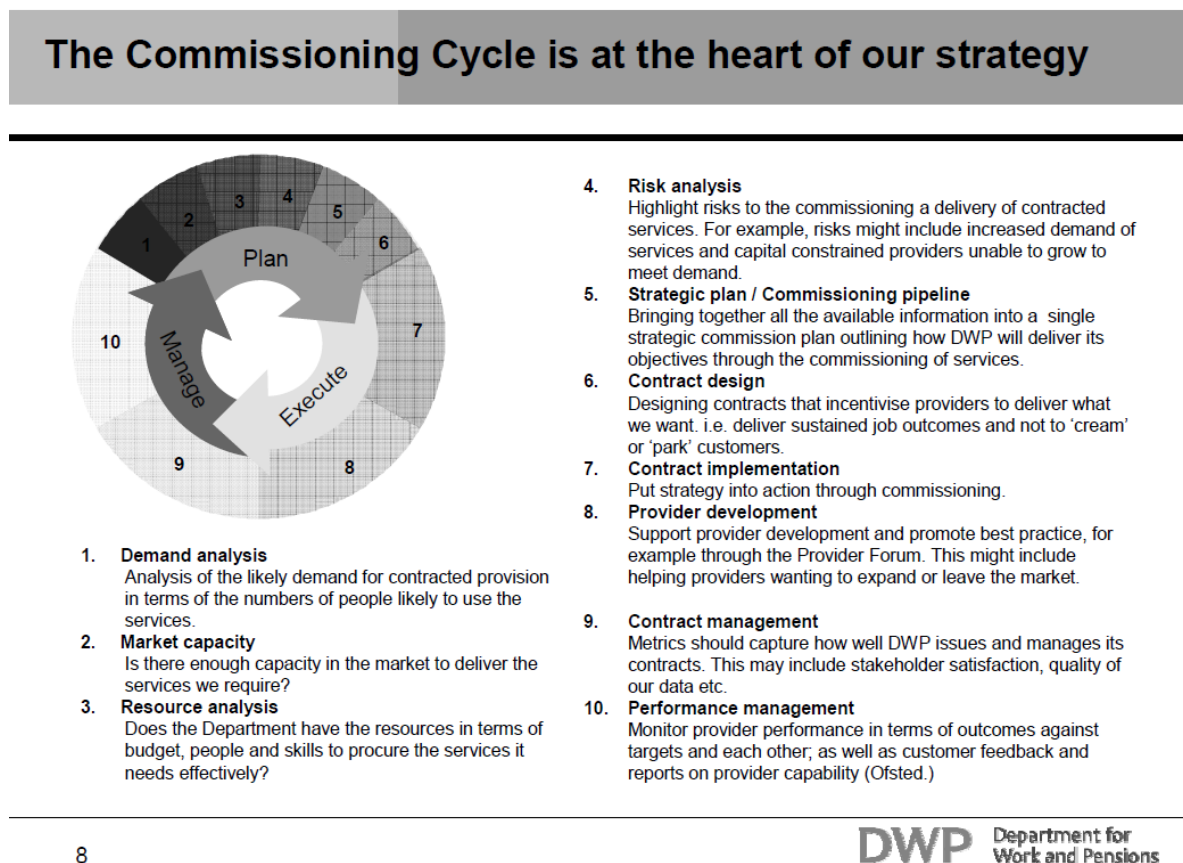
Role of the third sector in the model

The IDeA approach to commissioning for the third sector is shown in detail in a later model.

DWP Commissioning Cycle for Welfare to Work

The commissioning cycle within the model is shown below.

Figure 18: The DWP Commissioning Cycle for Welfare to Work



What is included within the term 'commissioning' in the model

Because the DWP model involves the appointment of 'prime contractors', much of the detail of the process which would be considered as core to 'commissioning' in other models is here left to the 'prime contractor' – certainly all details of the delivery process are the responsibility of the organisation which is appointed as the prime contractor by the commissioners.

The performance management regime

The DWP model features a single performance management and measurement process focussing on: outcomes; value for money; quality; and customer experience. A star rating system is used to compare provider services. Transparency is a key principle within the process, with scores being accessible to all providers. This transparent system is realised through a single electronic-based system. The performance management system is complemented by external assessment, e.g. by Ofsted.

Evidence on the performance of the commissioning approach to date

We have not yet found any evidence on the performance of this model.

Outcome orientation of the model

The DWP model provides the most complete example in UK government of an outcome-orientation cascading from the commissioning level, through procurement, to contracts, where providers only get paid for the outcomes which they achieve (e.g. placing young people in full-time jobs for over 6 months).

Role of the third sector in the model

Consultation on the DWP commissioning strategy revealed concerns amongst small third sector providers that the prime contractor model can discourage TSO involvement. The DWP strategy does express a clear appreciation of the value of TSOs and the private sector in terms of innovation and cost-effectiveness. Although these providers are envisaged in the role of 'sub-contractors', the strategy also presents a Code of Conduct, aimed at protecting the position of sub-contractors. The Merlin Code Of Conduct outlines good practice with regard to treatment of sub-contractors and other partners or suppliers, including those in the third sector.

Institute of Purchasing Care

This model comes from a university research centre, rather than a government department, but has received strong support from a number of government bodies and review groups and has been influential in the development of a number of local approaches to commissioning.

The commissioning cycle within the model

Part of the attraction of the Institute of Purchasing Care (IPC) model is that it builds upon the Deming 'Plan-Do-Review-Act' cycle, which was highlighted in most of the early government commissioning models. Moreover, it makes it clear how different commissioning activities fit into these four phases of decision-making.

Figure 19: The Institute of Public Care Commissioning Cycle (IPC, 2008)



What is included within the term ‘commissioning’ in the model

This model makes a very clear distinction between the ‘commissioning cycle’ and the ‘purchasing/contracting cycle’ – and the delivery of services is clearly seen as separate to both of these cycles. The inter-relation of these cycles in the model shows that the commissioning cycle should drive the procurement/purchasing cycle, which, in turn, drives contracting activities. However, the reverse is also true – the procurement/purchasing and contracting activities should also inform the ongoing development of commissioning.

The performance management regime

Given that this is a research-produced tool, rather than a model from a central government department, there is no specific performance management regime attached to this model.

Evidence on the performance of the commissioning approach to date

As this model has not been used explicitly in any government models, it has not yet been tested. However, the model has been recommended by a number of government agencies (e.g. the Care Services Improvement Partnership, no date). Some evidence may therefore eventually be forthcoming on the performance of this model.

Outcome orientation of the model

The IPC model has a strong 'needs analysis' component, but this does not seem very strongly attached to an 'outcomes analysis' approach.

Role of the third sector in the model

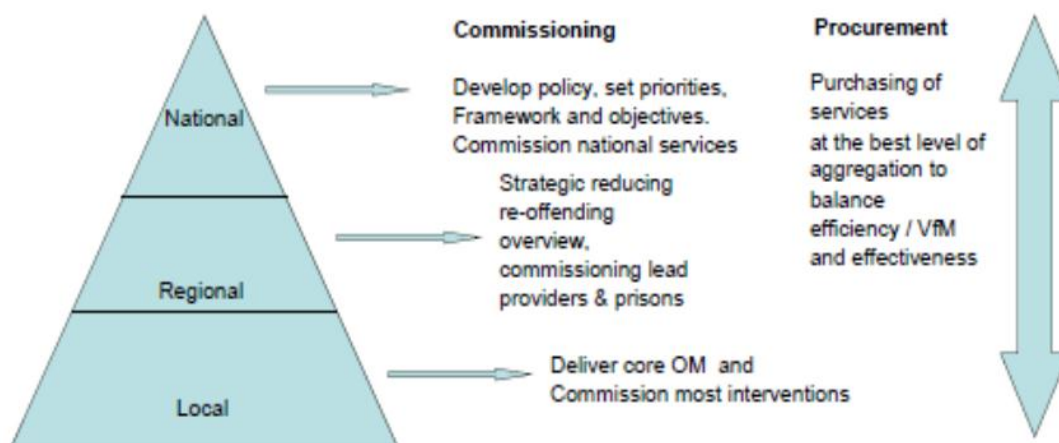
As this is an idealised framework which is meant to be applicable in a range of different service areas, the role of the third sector is not prescribed as such. Third sector agencies can be considered as one of the potential providers of services but there is little explicit detail on this.

National Offender Management Service, Framework for commissioning and partnerships 2008/2009

The commissioning cycle

While the framework does not set out a conventional commissioning cycle, it provides an indication of what the model contains at each of the three geographical levels of commissioning (national, regional and local).

Figure 20: National Offender Management Framework for Commissioning and Partnerships 2007/08 (NOMS, no date)



What is included within the term 'commissioning' in the model

Commissioning is described essentially in procurement terms – the means by which resources are allocated so as to best support the delivery of Offender Management. In addition the framework refers to a 'commissioning system'. The system's main focus is on cost-effectiveness in consideration of increasing efficiencies and providing appropriate services to address offender needs. There is a presumption that commissioning within offender management will be most effective where devolved locally.

Partnerships are seen as central to commissioning for offender management and reduction of re-offending. As many of the services required are outside of the criminal justice system, much thought is given to how partnerships can be best governed at national, regional and local levels. Partnerships in

the commissioning process are aided by strengthened arrangements for Local Area Agreements; the cross-government National Reducing Re-offending Inter-Ministerial Group and Programme Board; and Regional Reducing Re-offending Partnership Boards in the nine English regions and a National Board in Wales. Regional boards include representatives from statutory agencies and the private and third sectors.

The performance management regime

In 2007 targets started to be measured locally and collated regionally rather than nationally. The regional commissioning structures allow targets to be informed by available information on local needs profiles, capacity to deliver, and budgets, as part of SLA negotiations with providers. Some targets are still measured nationally, for instance those reflecting political priorities (e.g. to maintain the low level of escapes) or those which are cross-agency (e.g. the speed with which non-compliance with a community order is enforced).

The NOMS suite of metrics is designed to reflect national priorities and specify delivery requirements on providers. Increasingly target levels were set locally as part of the negotiation between commissioners and providers (except where there were cross-government commitments or specific national priorities to attain). The target setting types are shown in table 1.

Table 1: Target setting types for offender management (NOMS, no date)

No Flexibility	Flexibility		
1 No flexibility	2 Local minimum / maximum	3 Regional minimum / maximum	4 Local flexibility No minimum / maximum
Targets are set centrally for each prison establishment or probation area.	Minimum / maximum applies at establishment or area level and this is set by the centre.	Minimum / maximum applies at regional level and this is set by the centre.	No minimum / maximum. Policy guidelines may apply to specific metrics.

Evidence on the performance of the commissioning approach to date

We have not found any evidence on the performance of this commissioning approach.

Outcome orientation of the model

The framework states that it is designed to help drive delivery of reducing re-offending and public protection outcomes. It emphasises the need to strive to achieve greater parity of outcomes and promote greater confidence in the Criminal Justice System among those groups where this is lacking or weak, particularly in terms of delivering greater equality of access to services provided for offenders in prisons or supervised in the community, and greater equality of outcomes – irrespective of race, gender, disability or other characteristics.

Role of the third sector in the model

As part of the partnerships focus, the role of the third sector is well developed within the NOMs model. Reducing re-offending alliances have been established to enhance ability to consult and involve specialist organisations and particular communities. The NOMS third sector action plan is outlined in more detail in a section on the role of the third sector. Notably an Academy for Justice Commissioning has been created as a training facility for commissioners. A network of stakeholders has been established across government and the public, private, and voluntary and community sectors. This network provides an arena for the sharing of best practice in commissioning, strengthening links in criminal justice commissioning, procurement and performance management and promoting personal development.

The National Programme for Third Sector Commissioning (Cabinet Office, 2006)

This Programme is hosted by the Improvement and Development Agency (IDeA) on behalf of the Office for the Third Sector (OTS). The programme focuses on optimal involvement of the third sector to achieve better outcomes and yield efficiency gains.

In 2006, the Office of the Third Sector set out the following Eight Principles of Good Commissioning, designed to improve commissioning generally, and the experience of the third sector in particular:

- Develop an understanding of the needs of users and communities, by ensuring that, alongside other consultees, they engage with third sector organisations as advocates, to access their specialist knowledge.
- Consult potential provider organisations, including those from the third sector and local experts, well in advance of commissioning new services, working with them to set priority outcomes for that service.
- Put outcomes for users at the heart of the strategic planning process.
- Map the fullest practicable range of providers with a view to understanding the contribution they could make to delivering those outcomes.
- Consider investing in the capacity of the provider base, particularly those working with hard-to-reach groups.
- Ensure contracting processes are transparent and fair; facilitating the involvement of the broadest range of suppliers, including considering sub-contracting and consortia building where appropriate.
- Seek to ensure long-term contracts and risk sharing wherever appropriate as ways of achieving efficiency and effectiveness.
- Seek feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs.

Source: Partnership in Public Services: An Action Plan for Third Sector Involvement, Office of the Third Sector, Cabinet Office, London, 2006.

In this document, the Office of the Third Sector also announced the setting up of a National Programme for Third Sector Commissioning, which aimed to improve the role of the third sector in public service commissioning by developing smarter and more effective processes and practices around commissioning, based mainly on training. The first phase of the programme was managed by the Improvement and Development Agency (IDeA) on behalf of the Office for the Third Sector (OTS) and set out to deliver the following benefits:

- implementation of policy to include greater involvement of the third sector in the shaping and delivery of public services by the most significant commissioners;
- high-quality commissioning that enables the providers to meet the needs of local communities and service users;
- processes that set out what is necessary to involve the third sector in service design, improvement, delivery and holding the public sector to account;
- improved access to service delivery for smaller third sector organisations;
- recognition of the third sector as a partner in designing services and a constructive campaigner for change; and
- a comprehensive package of training for commissioners on what the third sector can offer.

A second phase of the Programme was commissioned by OTS to run until 2011.

The commissioning cycle within the model

The evaluation of the programme (IDeA, 2009) suggests that the three main government models for commissioning in relation to third sector organisations are World Class Commissioning (DH), Commissioning Support Programme (DCSF) and the Academy of Justice (Ministry of Justice (MoJ)). The change mechanisms assumed to be operating in the model are set out in the Figure 21.

What is included within the term 'commissioning' in the model

This model has a strong emphasis on planning and procurement. It stresses the importance of strategic planning and consistency of approach from commissioners, in consideration of the needs of the third sector.

The performance management regime

The performance management regimes involved in this approach are those in the 'parent' commissioning models, e.g. WCC, Commissioning Support Programme and Academy of Justice.

Evidence on the performance of the commissioning approach to date

The evaluation (IDeA) found that the training put in place by the Programme had achieved a range of positive outcomes for those involved – for example, 70% of commissioners said that it had increased their knowledge about how to make commissioning accessible to third sector organisations – and it had helped to change individual participants' attitudes, perceptions, awareness and knowledge in relation to third sector commissioning. Since many Programme participants had a relatively good existing understanding of the third sector and the benefits of working with third sector organisations, the training tended to achieve positive outcomes by reinforcing good practice and giving participants

the tools and the confidence to try to influence other colleagues in their organisation and their local area. In particular, all forms of training helped to raise awareness of the Eight Principles of Good Commissioning. Work to improve third sector bidding capacity had only recently started by the time the evaluation was completed.

The evaluation found some changes in commissioning practices – for example, more commissioners now seemed to involve third sector organisations at early stages in commissioning. Yet there were few changes in attitudes and perceptions, either amongst commissioners or TSOs. For example, at both baseline and follow-up stages, most commissioners said that they recognised that TSOs could bring something unique to public service delivery, but doubted their capacity to manage and deliver contracts. TSOs, for their part, often did not think that commissioners understood the contribution they could bring. Both the baseline and follow-up research found that small TSOs, and those led by or mainly working with BME groups, had rather different experiences of commissioning than other organisations. For example, smaller TSOs were less likely than larger ones to be involved in commissioning, while BME TSOs were less likely to think processes were fair and transparent, and tended to be involved in different ways. Overall, therefore, the research suggested that the Eight Principles of Good Commissioning were not consistently embedded, even though there are some good examples where they were being put into use.

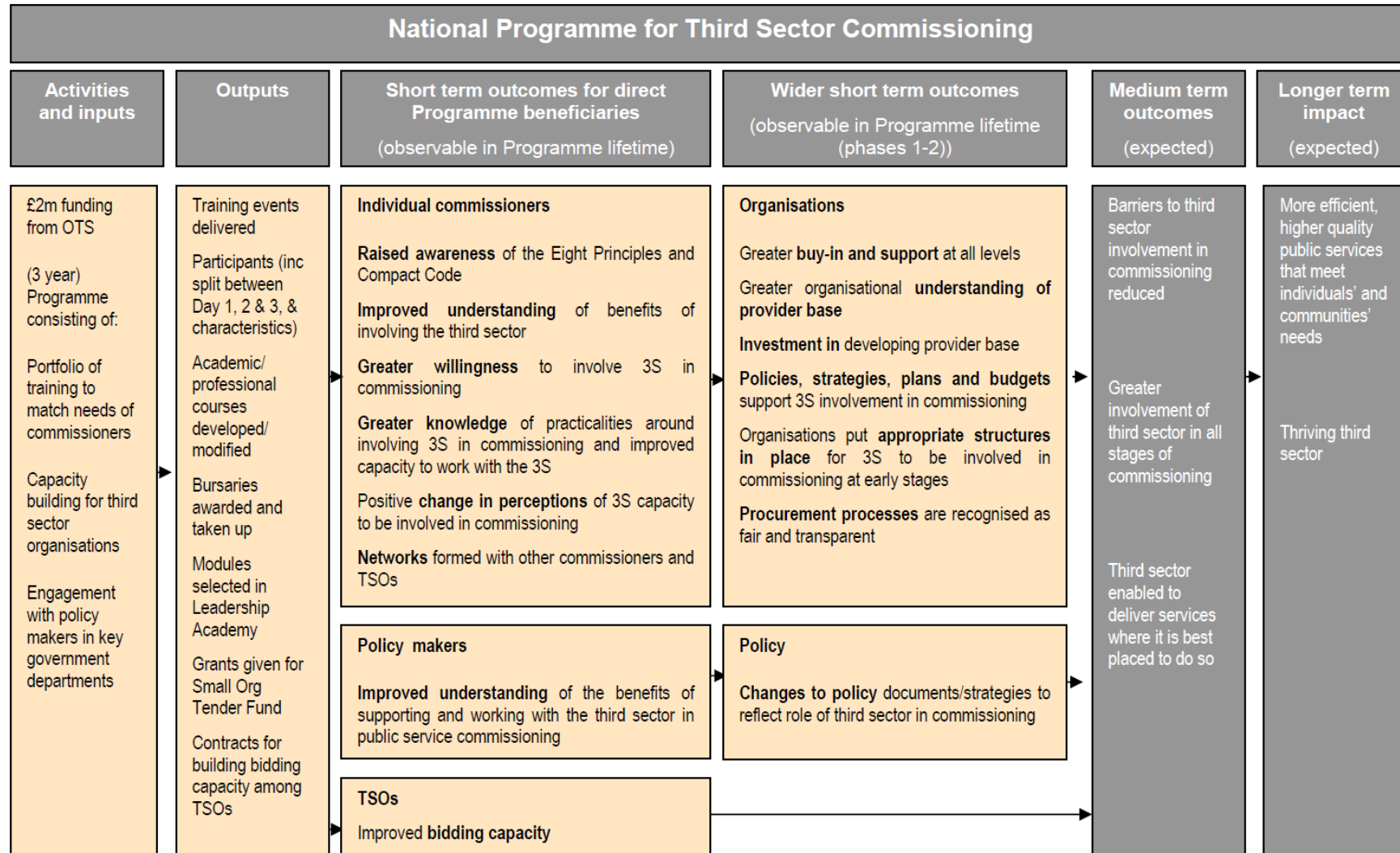
Outcome orientation of the model

The model mainly deals with short-term, intermediate outcomes rather than longer-term impacts on service users or citizens.

Role of the third sector in the model

This model is entirely about commissioning from the third sector.

Figure 21: Change Mechanism for Third Sector Commissioning Programme (Shared Intelligence, 2009)

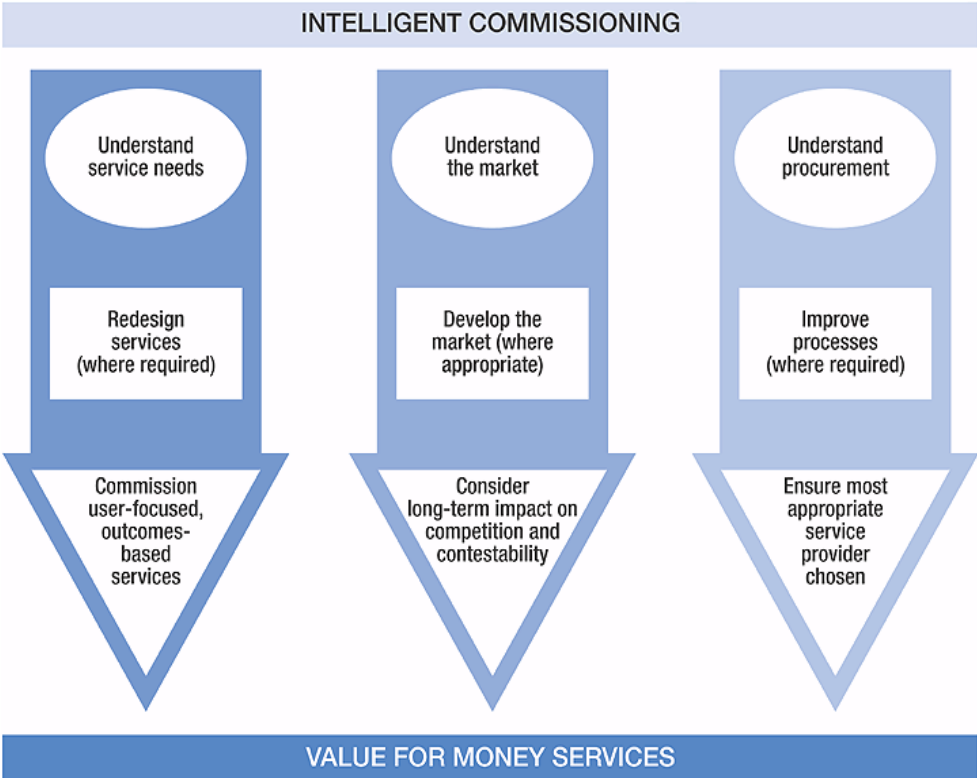


Intelligent Commissioning (Audit Commission, 2007)

Intelligent commissioning is a strategic model advocated by the Audit Commission to enhance the role of the voluntary sector in delivering public services. The model addresses the whole system by engaging with the role of local public bodies, voluntary organisations, regulatory bodies and central government. The model puts emphasis on the process of procurement, highlighting the importance of funding mechanisms which foster sustainable provision from the voluntary sector. It also draws attention to the review and analysis phases of the commissioning cycle, emphasising the need for a greater evidence base to demonstrate value for money.

The commissioning cycle within the model

Figure 22: Intelligent Commissioning (Audit Commission, 2007)



What is included within the term ‘commissioning’ in the model

This model puts a strong emphasis on understanding, developing and managing the market and on procurement as a key part of commissioning. However, it does not envisage commissioning covering the delivery process.

The performance management regime

The Audit Commission assesses councils’ overall commissioning as part of its judgments on their use of resources and assesses how councils and their partners work with the voluntary sector, in the Comprehensive Area Assessment.

Evidence on the performance of the commissioning approach to date

We have not found evidence on the performance of this model.

Outcome orientation of the model

The model is clearly outcomes-based and connects to a performance framework which requires detailed performance information on achievement of outcomes.

The Audit Commission report (page 64) states that “Defining the right outcomes links directly with the first element of the intelligent commissioning framework, understanding service needs. Commissioners should include outcome measures to capture the extent to which the service is meeting the users’ needs and providing satisfaction, in their assessment of performance and value for money.”

Role of the third sector in the model

This model is specifically aimed at equipping statutory bodies to commission more effectively from third sector organisations.

Commission for the Compact (2009)

The Commission for the Compact issued guidance in 2009 for commissioners in national and local public sector bodies, designed to help commissioners by identifying relevant Compact principles and demonstrating where and how they can be applied to commissioning. It also highlights those Compact principles relevant for third sector organisations involved in commissioning.

The Guidance Note states that, although the current Compact Funding and Procurement Code does not contain the term “commissioning”, its principles are still relevant to the stages and actions involved in commissioning. Moreover, whilst the Compact is an agreement between the public and third sectors, its principles are equally relevant when working with organisations from the public and private sectors and in commissioning that involves sub-contracting, for example, through a prime contractor model.

The commissioning cycle

Figure 23: The four stages of commissioning (Commission for the Compact, 2009)

<i>Key Stage</i>	<i>What does this involve?</i>
Analysis	<ul style="list-style-type: none">• Understanding and evidencing the needs of service users.• Identifying unmet needs.• Understanding and mapping who delivers services.• Identifying gaps in service provision and considering how these gaps can be addressed.• Being clear and defining outcomes to be delivered.
Planning	<ul style="list-style-type: none">• Consideration of how to fund those services required to meet outcomes.• Developing the approach required to secure the outcomes.
Sourcing	<ul style="list-style-type: none">• Securing the most appropriate provider(s) to deliver the outcomes.
Monitoring and Review	<ul style="list-style-type: none">• Assessing performance against original objectives and identifying changes to inform future commissioning and outcomes.

What is included within the term ‘commissioning’ in the model

The model separates ‘commissioning’ from ‘providing’. It is heavily oriented to the procurement phase of commissioning. For example, in the section on ‘planning’, it emphasises: “Each stage (funding options, specification, pre-qualification, invitation to tender and tender evaluation) should be fair, proportionate, transparent, well communicated, clear, accessible, and appropriately supported. Processes should not create unnecessary bureaucratic barriers that disadvantage potentially competent providers from applying.” (p. 8) and again “In order to identify barriers to achieving outcomes, continue to engage with relevant third sector organisations in shaping and designing the tender process.”

Market management is given particular attention: “Where a gap has been identified between current service provision and required outcomes, commissioners may want to consider investing in the capacity of providers to develop their ability to deliver outcomes.”

It stresses that, where a highly specialised service may be required, a grant may be more appropriate than a competitive sourcing process and that, when assessing tenders, it is legitimate for third sector providers to include the relevant element of overhead costs in their estimates for providing services.

It suggests that, when partnership, consortium working or a prime contractor model is considered the most appropriate approach to delivering outcomes, then commissioners should take into account the time it takes for organisations to form appropriate partnerships, develop accountable working arrangements and submit bids.

The performance management regime

The Guidance calls for effective monitoring, based on outcomes, but with proportionate reporting, so that third sector providers can focus resources on service delivery rather than bureaucracy – it stresses that the process of monitoring performance should be transparent, proportionate to the value of the contract, and focus on outcomes. Where appropriate, service users should be involved in monitoring and reviewing service delivery. In line with the principles of the Compact, information should only be included in monitoring forms that is required to assess performance against outcomes or value for money.

Evidence on the performance of the commissioning approach to date

We have found no evidence as yet on the performance of this commissioning approach.

Outcome orientation of the model

The guidance stresses that contracts should be awarded on the basis of value for money; including a consideration of quality and outcomes. It suggests that commissioners should focus on outcomes when developing monitoring requirements, to allow providers to focus on staffing, delivery and using their expertise to deliver services. It stresses that being over prescriptive or disproportionate in relation to risk may act as a barrier for third sector providers in deciding whether to submit a bid. Where delivery is not meeting agreed targets, commissioners should communicate and consider with the provider how intended outcomes might be met in other ways.

Role of the third sector in the model

The guidance encourages commissioners to engage with a wide range of relevant third sector organisations, including those that act as advocates for service users and also as service providers. It also suggests that commissioners should consider working with their local infrastructure organisations or relevant local networks for access to third sector organisations and to promote their submission of bids. It encourages commissioners to recognise that smaller organisations often lack time, resources and dedicated staff for responding to consultations or engaging in development work, so they should consider providing early warning of involvement and allow an appropriate time for engagement. It stresses the need to think about how dialogue is made accessible to, and inclusive of, wider third sector organisations, e.g. faith groups.

The guidance suggests, in line with the Principles of the Compact that third sector organisations should contribute constructively to the design of programmes and focus their contribution on the needs of service users, being clear about whom they represent and being accountable for representing their views. Moreover, third sector organisations should communicate clearly to commissioners the risks associated with delivering outcomes, so they can be addressed, and should be clear on how their work will meet the outcomes required by commissioners, and what level of work will be needed to do this.

Regional level commissioning models

From our search several influential regional models were uncovered, with the two outlined below being illustrative of the types identified.

North West roadmap

This was developed by the Institute of Purchasing Care for North West, NHS North West, North West Joint Improvement Partnership, and the Regional Director of Public Health. It states that “Strategic commissioning can be thought of as having four key elements – **analyse, plan, do** and **review** – which are sequential and of equal importance, i.e. commissioners should spend equal time, energy and attention on all four elements”. Some of the activities that might be undertaken under each element of the strategic commissioning cycle are described below.

- **Analysis** – understanding the purpose of the agencies involved, the needs they must address, and the environment in which they operate. This element of the commissioning cycle involves activities such as:
 - Undertaking population needs assessment.
 - Service review and market analysis across agencies to understand existing and potential provider strengths and weaknesses, and identify opportunities for improvement or change in providers.

- Identifying resources needed and risks involved in implementing change and/or continuing with the status quo.
- **Planning** – identifying the gaps between what is needed and what is available, and planning how these gaps will be addressed within available resources. This element of the commissioning cycle involves activities such as:
 - Undertaking a gap analysis to review the whole system and identify what is needed in the future.
 - Redesigning services to meet needs.
 - Writing a commissioning strategy/prospectus which identifies clear service development priorities and specific targets for their achievement.
- **Doing** – ensuring that the services needed are delivered as planned, in ways which efficiently and effectively deliver the priorities and targets set out in the commissioning strategy. This element of the commissioning cycle involves activities such as:
 - Supply management and capacity building to ensure a good mix of service providers, offering patients/service users an element of choice in how their needs are met.
 - Developing good communications and managing relationships with existing and potential providers.
 - Purchasing and contracting of services and de-commissioning services that do not meet the needs of the population group.
- **Reviewing** – monitoring the impact of services and analysing the extent to which they have achieved the purpose intended. This element of the commissioning cycle involves activities such as:
 - Pulling together information from individual contracts or service level agreements.
 - Developing systems to bring together relevant data on finance, activity and outcomes.
 - Analysing any changes in legislative requirements, population need and reviewing the overall impact of services to identify revisions needed to the strategic priorities and targets.

The commissioning cycle within the model

The commissioning cycle is essentially aligned with the Deming Plan-Do-Check-Act cycle, as in the core Institute of Public Care commissioning model (considered earlier).

Figure 24: Commissioning Cycle in North West Commissioning Road Map (no date) (adapted from Institute of Public Care)



What is included within the term ‘commissioning’ in the model

This is a very broad approach to commissioning and, manages to avoid ruling out particular approaches by using inclusive phrases about options available (e.g. “...involves activities such as ...”).

The performance management regime

As this model is for guidance, it is not associated with a mandatory performance management regime.

Evidence on the performance of the commissioning approach to date

We have not identified evidence on the performance of this commissioning approach to date.

Outcome orientation of the model

This model appears strongly ‘needs’ based, rather than ‘outcome’ based. However, it does provide a useful section on the definition of outcomes and two case studies. The Roadmap suggests that there are as yet few practical mainstream examples of how health and wellbeing agencies can purchase services based on an outcomes approach.

The role of the third sector

Given its provenance, it is perhaps not surprising that the Roadmap focuses particularly on the activities of public sector bodies, particularly in the NHS and local government.

East Midlands framework to support commissioning

This framework was developed through regional collaboration, funded by the Centre of Excellence, co-ordinated by the Regional Partnership and benefiting from contributions from all partners. The School Development Support Agency managed the development process, working closely with the Institute of Public Care.

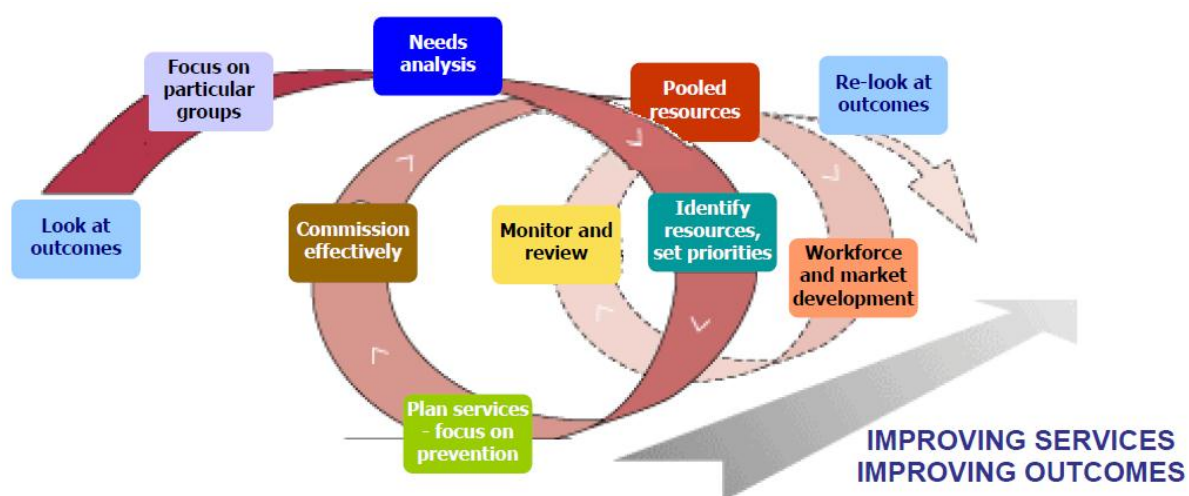
The framework provides support for all aspects of commissioning, from the first stages of data collection and needs analysis, through the stages of planning services and engaging with the market, right through to reviewing the impact of decisions taken upon the lives of children, young people and their families. The framework is primarily aimed at a strategic level and will offer most support for joint commissioning at a regional or sub-regional level.

Most sectors and agencies involved in providing public services have developed guidance materials to explain the stages of commissioning. All are very similar and promote similar approaches. This framework is based upon the nine-stage model provided by central government within the “Joint planning and commissioning framework for children, young people and maternity services” (March 2006)

This model is designed for people working in all sectors of children, young people and maternity services including political leaders, senior management, planners, commissioners, providers, corporate procurement, finance, legal and other support staff, central and regional government officials. It sits alongside the DH joint commissioning framework for health and well-being, and the Office of the Deputy Prime Minister (ODPM) Best Value guidance.

The commissioning cycle within the model

Figure 25: Commissioning Cycle in East Midlands Framework (East Midlands Centre of Excellence, no date)



What is included within the term 'commissioning' in the model

This model identifies the 'commissioning' role as coming after the planning phase and before the pooling of resources and workforce and market development – it therefore is more closely akin to what is called 'procurement' in other models.

The performance management regime

As this model is for guidance, it is not associated with a mandatory performance management regime.

Evidence on the performance of the commissioning approach to date

We have not identified evidence on the performance of this commissioning approach to date.

Outcome orientation of the model

Quite strongly outcome-based, but only at the commissioning level, rather than procurement.

The role of the third sector

The approach pays relatively little attention to the role of the third sector.

Themes – opportunities and limitations of current models of commissioning

In this section of the report, we bring together the key points from our analysis of the commissioning models above in relation to the following key themes:

- the performance regime in commissioning models
- outcome orientation of the models

Theme: The performance regime in commissioning models

In this section we bring together the key points on performance regimes in commissioning from our analysis of the commissioning models above.

The commissioning models considered in this report have almost all been related to existing performance management regimes – e.g. the 'vital signs' performance reporting system for PCTs and the LAA performance management regime for local strategic partnerships (including local authorities, PCTs, police and fire authorities).

The strengths of this approach are that the commissioning frameworks are thereby integrated into existing systems of accountability. They also therefore avoid imposing a separate burden on the agencies involved.

There are, however, several disadvantages of this approach. The first is that there is a danger of rather poor fit between some of the commissioning models and the performance management framework which they are intended to use. This is increasingly the case as most commissioning models devote more attention to outcome-based approaches. Since none of the performance management regimes – not even the Every Child Matters regime, which is the longest running – is especially strong in measuring outcomes and associating them with the activities of public agencies or partnerships, the commissioning models are in danger of appearing rather disconnected from the performance management activities which have to be demonstrated to inspectors and auditors. Since

the latter are often more visible – and more obviously subjected to detailed scrutiny – this may mean that strategic commissioning models may be seen as rather theoretical or even partially irrelevant to the practical concerns of managers.

A second danger is that there are conflicting performance management regimes applying to any given commissioning model. This is most evident in those commissioning models which bridge across several government departments. For example, the very first model which we considered above, Joint Planning for Children’s, Young People’s and Maternity Services, covers the territory of both DCSF and DH. It is clear that the performance management regimes applied by these two departments have been interpreted by agencies at local level as driving them in different directions. Again, the framework for third sector commissioning has to cross governmental departments and that has meant that the guidance which it could give on performance management has been rather weak and general.

However, this danger even applies to frameworks which emanate from within one government department – for example, the World Class Commissioning framework was launched at a time when the previous frameworks from DH were still being absorbed by PCTs, which led to some confusion as to which performance management framework – the competency assurance framework or ‘vital signs’ – was to take precedence.

Theme: Outcome-based commissioning within commissioning models

In this section, we summarise our analyses of the approaches taken to outcome based commissioning in the different models outlined above.

In most of these commissioning models, there is a stated intention that commissioners should specify clearly the outcomes which they wish to achieve in the service and should then design a cascaded process which ensures that the achievement of these outcomes is built into the subsequent stages of the commissioning, procurement and contracting processes.

Single agency commissioning

Local authority commissioning of single services on non-partnership basis

This occurs, for example in commissioning leisure centres, street cleaning, building control, etc. The commissioning process is meant to be driven by the performance management regime built into the Local Area Agreement process, based on the set of National Indicators (NIs). About one-third of these might be seen as having some relationship to outcomes (although this may be a rather generous interpretation – most local authorities would regard many of these ‘outcome’-oriented NIs as a rather pale reflection of the kinds of outcomes about which they most care).

PCT commissioning

Against the background of the World Class Commissioning agenda, PCTs have ten outcomes that they are judged against and which it is suggested will give a focus for the health improvement of the population for longer than the strategic planning process. Two of these outcomes are national (life expectancy and health inequalities), whilst the remaining eight should reflect the strategic priorities of the PCT and be in line with the strategic plan. The outcomes selected by PCTs must be “measurable” and valid sources of data and include the “vital signs” indicator set which is published by the

Department of Health. Using nationally available data sets is predicated on the notion that it should deliver a level of consistency. It also allows PCTs to benchmark and therefore demonstrate improvement.

Practice-based commissioning in health

Practice-based commissioning (PBC) is seen as a way in which GPs might be engaged in the ongoing improvement and reform of primary care. PBC seeks to engage clinicians in continuous cycles of assessing the needs of practice populations, reviewing how resources are used and services delivered for patients across the system, identifying what needs to be changed and then delivering this in partnership with the PCT. PBC is not separately managed in terms of outcomes as such but is tied in to the existing contract that GPs have with local PCTs (the Quality Outcomes Framework).

'Service integrator' commissioning

A two-tier approach to commissioning means the strategic commissioner defines outcomes it seeks for an end-user, group of end-users, or community and then procures a prime contractor to recruit additional organisations to work on the client authority's behalf (LGA-CBI, 2009). In this way, the prime contractor works as a 'service integrator' or 'regional co-ordinator', managing provision and deciding on which sub-contractors would be most suited – whether from the private, third or public sector. This model has been used in public sector construction. The public sector commissioner has to select the integrator very carefully as it transfers to the integrator many of its commissioning and procurement responsibilities and key decisions about what inputs are needed to achieve outcomes. While the public agency can set specific policy parameters and, of course, remains ultimately accountable for service quality and resource use, the detailed decisions on what is done and how it is done are outside its direct control.

The most advanced version of this approach is the model which DWP chose to commission its Flexible New Deal programme through private sector prime contractors. This enshrines an outcomes-oriented approach not only in the commissioning process but also in procurement and in contracts.

Box 3: DWP Commissioning Strategy (February 2008: 22)

- We will be basing our payment strategy increasingly on sustainable job outcomes (six months in the first instance, but as we move towards our integrated employment and skills progression model we will look to build longer-term incentives into the welfare and skills systems, perhaps for 18 months). We will continuously review the risk and reward balance to ensure that the focus remains on helping people stay in work.
- We will explore alternative reward mechanisms which give incentives for providers to encourage and support progression and the development of skills. We will look for opportunities to trial significantly longer outcomes as envisaged by David Freud, and to test out the impact of making payments to providers for helping people to progress in terms of skills and earnings, by creating better employability and skills packages.
- We will trial different models of outcome payments. We will work with providers to develop more sophisticated, differentiated models that recognise those customers who can be helped more quickly to find their route to a sustained job and those who will need determined action to tackle their particular barriers.

Area-based joint commissioning

Where several organisations form a partnership, alliance, or other collaboration, taking joint responsibility for the commissioning of services. There are many variations of this common model of commissioning.

LSP-led strategic commissioning/commissioning for place

The Local Strategic Partnership (LSP) process is meant to encourage and enable a strategic approach to commissioning public services within local areas. The recent move to a Comprehensive Area Assessment at the level of 150 upper-tier local authorities (London Boroughs, Metropolitan Districts, Unitary Authorities and County Councils) has thrown increased emphasis on outcomes, although these are still mainly the outcomes enshrined in the NI set (mentioned above in relation to local authority single service commissioning). Local agencies have largely welcomed this move to a greater orientation (see Box 4).

Box 4: An Evaluation of Year One of the Comprehensive Area Assessment

March 2010 (London: Shared Intelligence with Cardiff Business School and IPSOS MORI)

Assessing outcomes

The CAA framework stresses the key features of focusing on local priorities and outcomes for local people. As for local priorities, this emphasis on outcomes (as opposed to services) was welcomed by inspectors, assessed bodies and, perhaps most of all, local partnerships.

More than half of all respondents (55%) to the inspectorate staff survey agreed that the joint assessment was a useful mechanism for taking a holistic approach to cross-cutting issues.

More than half of these staff also agreed that the joint assessment has a stronger focus on outcomes for local people (60%). However, there were big differences by inspectorates, with over three quarters (78%) of respondents from the Audit Commission agreeing with the statement, compared to 39% of Care Quality Commission staff and 24% of Ofsted staff.

Likewise, the majority of respondents (64%) to the assessed bodies survey agreed that CAA has a stronger focus on outcomes for local people, although Fire and Rescue Services or Authorities, single tier and county councils, and PCTs were more likely to agree with this (75%, 73% and 70% respectively) than district councils (51%) and Police Forces or Authorities (62%).

In the more recent Total Place initiative, Birmingham City Council has developed, with encouragement from HM Treasury, a city-wide Model of Public Outcomes, which it is now seeking to calibrate through a major consultancy project. The Birmingham Public Investment Study showed that the city receives £7.5 billion annual public investment. The Council wishes to have a model which tracks how this money is spent, estimates what outputs it produces and projects the outcomes which it achieves – what difference it makes to the city, its citizens and service users. The model is intended to inform future budget decisions, providing evidence on how to get more efficiency and identify low value for money activities, in order to secure better outcomes at less cost. It is intended that the model will be

available to councillors and the LSP to give them clear guidance on the options available for efficiency gains and service improvement in the budget rounds from summer 2011 onwards.

Joint or integrated commissioning

Despite joint – or integrated commissioning – particularly between health and social care agencies being heavily promoted by central government there is very little evidence of impact in terms of outcomes (Glasby and Dickinson, 2008; Hudson, 2010). Joint commissioning is most frequently predicated on the notion that it should improve outcomes for service users and yet there is little evidence that this is the case. Some commentators have noted the difficulty in researching these types of integrated arrangements in terms of outcomes (e.g. Dowling et al., 2004) and some have suggested that this may be why there is little evidence of impact in terms of service user outcomes. However, Dickinson (2008) argues that this lack of evidence may instead be related to the lack of clarity over what it is that joint or integrated commissioning is aiming to achieve in practice. Indeed, beyond aspirational notions that joint commissioning is a “good thing” that should improve service user outcomes, there is very little clarity over what success would actually look like for these types of arrangements in practice.

Multi-practice or locality health commissioning (Smith et al., 2004)

The position here is similar to that in relation to Practice-based Commissioning (see earlier in this section).

Neighbourhood-led commissioning

The majority of neighbourhood-led commissioning approaches have either been at parish council level, or have been part of local government ‘neighbourhood management’ processes, in which case they have largely been councillor and manager led, or urban or rural area-based regeneration initiatives, where a ‘community chest’ has been available (usually from European or central government funds) for bidding by local projects – in these latter cases, much more participation by residents and other local stakeholders has often been evident and this is considered separately in the ‘radical neighbourhood commissioning’ approach. However, there are now increasingly some examples of urban regeneration joint ventures at area and neighbourhood levels.

Few of these commissioning approaches by parish councils or through council ‘neighbourhood management’ initiatives have had a strong outcomes orientation. This is probably because outcomes data is harder to collect on a neighbourhood basis.

Radical community commissioning, with participatory budgeting

Typically, this approach has involved relatively small sums of money, often funded through matched grant schemes (e.g. through Community Chests from the Community Empowerment Fund). However, more recently, there has been an extension of this approach into more mainstream services, e.g. through Young People’s Services commissioning panels with user representation.

While one of the reasons for adopting this ‘bottom-up’ approach to commissioning has often been to ensure that outcomes were embedded in the process, because the communities involved are much more conscious of what outcomes are likely to be achieved through different mixes of projects, there has rarely been an explicit attempt in such approaches to specify outcomes in advance and ensure that they are explicitly focused on during the implementation of the project.

Inter-area (sub-regional) or commissioning (e.g. at city region level or through Multi-Area Agreements)

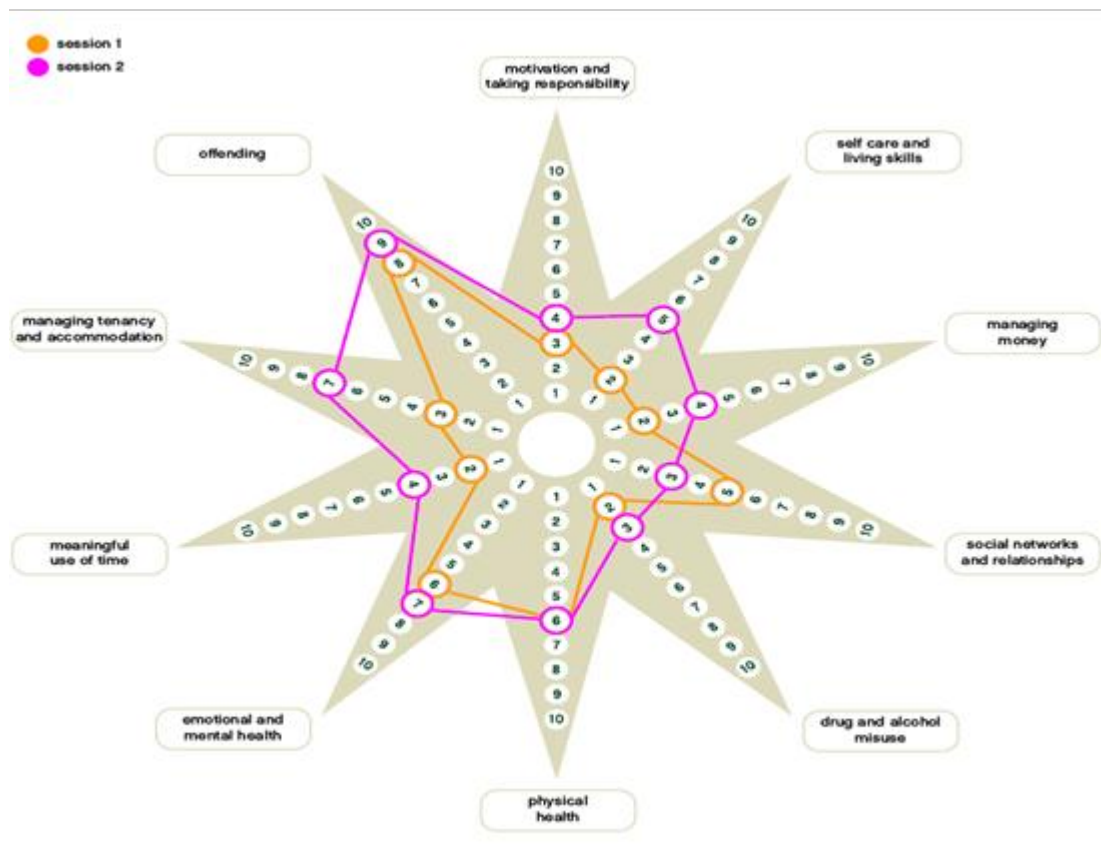
These approaches are still being negotiated, so there is little evidence of their practical significance. However, the best known Multi-Area Agreement, in the Manchester city region pilot, has emphasised a set of priority outcomes, focused on economic growth, and covering productivity, employment, education, training, transport connectivity, international links for local firms, and environmental improvement. While the progress of the pilot has been partially disrupted by uncertainty about the commitment of all councils in the area (which appears to have been resolved by recent decisions in March 2010), the early decisions coming from the Manchester City Region have appeared to focus more on co-ordinating the strategies of the different players, together with governance structures and processes, rather than analysis of or rethinking the pathways to outcomes.

Sustainable Commissioning Model (new economics foundation)

The 'Sustainable Commissioning Model', developed by nef, moves commissioners towards commissioning for outcomes at both service level and wider community level, using social, economic and environmental outcomes drawn from the LSP's Sustainable Community Strategy. It includes co-production as a means of better engaging with, and leveraging, existing social assets and networks. (It therefore represents a combination of several of the previous models).

The main development work has been done with the London Borough (LB) of Camden and an 'outcome star' has recently been compiled, showing how outcomes across a wide range of dimensions have changed between the two evaluation sessions which have been held with service users and other citizens.

Figure 26: Outcome Star developed by new economics foundation and LB of Camden



User-led commissioning

All of the approaches under this heading are explicitly outcome-oriented but with the difference that the outcomes have been determined by users themselves. Where the outcomes sought by users are rather different from those identified at the level of organisations or service systems, there are problems both of measurement (since user outcomes would then not be captured by the normal performance measurement systems) and of accountability, since these outcomes have not been specifically legitimated by political decisions. On the other hand, these outcomes, where they can be identified (e.g. through focus groups or surveys) may be particularly revealing in helping to widen and improve the outcomes being assessed elsewhere in the public service system.

Investment-driven commissioning

Models of investment-based commissioning, aim to inject new capital and deliver improved outcomes. However, the degree of outcome-orientation differs significantly between models such as Local Education Partnerships (LEPs) and the Building Schools for the Future (BSF) programme and local improvement finance trusts (LIFTs) in health and wellbeing.

BSF and LEPs

Building Schools for the Future (BSF) was launched by DCSF in 2003 as a long-term programme of investment and change in England to help transform education for secondary age students by providing 21st century learning environments that engage and inspire young people, their teachers and the wider community. The new and refurbished schools delivered by BSF are designed for shared community use wherever appropriate. BSF schools are expected to contribute to the “Every Child Matters” agenda, particularly its five national outcomes. Moreover, every BSF school, as part of a Local Educational Partnership, is expected to be an extended school, offering additional or dual use facilities, such as sport halls, libraries, nurseries and ICT resources and to be integrated into wider regeneration projects, contributing to their outcomes, as well.

A key question in preparing the business case for BSF projects is what added value will BSF investment provide to local educational outcomes. However, the frameworks for LEPs are relatively light on specifying the connection which is expected between the outcomes desired and the key decisions in the commissioning process. The appraisal process appears dominated by issues of building and equipment design and cost, albeit in consultation with local teachers and other key stakeholders.

LIFTs

LIFTs are meant to take account of a wide range of potential outcomes from the investment programmes. In practice, however, they have been found to have a rather narrow focus on particular kinds of health outcomes.

Interestingly, an impact assessment was carried out on the Salford Health Investment for Tomorrow (SHIFT) and the Local Improvement Finance Trust proposals for the comprehensive redevelopment of Salford Royal Hospital and the provision of four integrated primary health and social centres in the City of Salford. The assessment pointed to a wide range of positive and negative impacts, related to setting employment, education, and training opportunities to maximise health and wellbeing and improve quality of life for all communities in Salford within the framework of the plan

(Douglas et al., 2004). The study found that “the perception of health across communities of Salford was much wider than that which was based upon medical or clinical perspectives. Salford people reported a view that was based upon the philosophy of healthy living and wellbeing. It is in these respects that the assessor recommended the need for the SHIFT and LIFT Partnership to extend their operational definitions of health, from the traditional clinical service provisions and delivery perceptions, to include considerations for social inclusion and activities by which to improve wellbeing and healthy living for the communities across culture, ethnicity, and gender in Salford.” It must be stressed, however, that this assessment was over 6 years ago.

HCA Total Capital

Although the concept of Total Place is that government agencies should consider the cumulative impact of all spending on a particular local authority area, in practice most of the Total Place pilots have particularly focused on revenue expenditure rather than capital investment. The idea of Total Capital, on which the Housing and Communities Agency is leading, is that public investment could benefit from a similar holistic local perspective. Major investments should be aligned in design, timescale and location so as to maximise the overall benefit to the local place. Total Capital could refer either to public investment only, or it might consider also private investment over which the public sector has a degree of control through the planning system, such as major housing developments.

In order to develop a clear evidence base, HCA has launched five pilots, which will:

- Identify the major capital investments in the area concerned (type, value and objectives)
- identify the potential interactions between those investments
- set out which of those interactions were or were not taken into account in investment planning
- identify the costs and benefits associated with those interactions.

HCA have suggested that costs and benefits could be direct (e.g. changes to the costs of schemes) or more indirect (e.g. sub-optimal use of assets, costs or savings to other programmes, better or worse performance on indicators within local strategies), with the caveat that it will probably only be possible initially to assess indirect benefits qualitatively. It therefore appears that this programme is only going to consider wider outcomes to a relatively limited degree.

National commissioning

In England there is a national level commissioning infrastructure in place for highly specialised services. For example, organ transplants, children’s heart and neurosurgery, specialised burn care, some types of stem cell therapy, rare neuromuscular disease and cancer of the retina. Services are commissioned by the National Commissioning Group (NCG) who oversee and support ten regional specialised commissioning groups. The NCG also advises government on NHS services which are best commissioned nationally, rather than locally. Nationally commissioned services are also used in penal and offender services.

The outcomes orientation of these programmes is relatively limited, as they are largely involved in the procurement function at an operational level to ensure the availability of specialist services, quite far from the ‘ultimate outcomes’ for which service systems are designed.

Summary

The move to outcome-based commissioning has so far been aspirational rather than real. While most commissioning models are now focused around outcomes, defining these outcomes and obtaining operational performance indicators to assess them is still in development. Even where most progress has been made in defining outcomes, e.g. in relation to the Every Child Matters outcomes, their incorporation in the overall commissioning process and in the attached performance management regime is still patchy. Moreover, it is still unclear how outcomes are being incorporated into the procurement processes subsequent to commissioning decisions. For the moment, there are relatively few examples of outcomes being incorporated into service contracts, apart from the anti-worklessness programme of DWP.

Theme: Commissioning and the role of the third sector

Since 1997 the third sector has become increasingly instrumental in the delivery of government policies. Third sector organisations (TSOs) operate alongside the public and private sectors to design, deliver and monitor public services across policy areas such as employment, education, health and social care, housing and environment.

The aim of this section is to provide an overview of existing literature in relation to third sector commissioning and to review the key messages from the literature regarding the role of the third sector in the commissioning process. We first discuss the government's vision for third sector commissioning and broader involvement, revisiting some key commissioning models in terms of their approach to the third sector. We also consider the implications for commissioning which arise from departmental third sector strategies and compare these implications across government. We then review the evidence from the literature around actual progress in third sector commissioning in relation to: programme and project evaluations and research outcomes; good practice examples and barriers to involvement.

Vision and policy across government

Following the New Labour government's reform focus on widening choice and personalisation, the strategic benefits of TSOs have been mainly seen to stem from their advocacy role, close commitment to service users and the higher level of innovation which they can bring, informed by expert knowledge of particular communities and client groups. The altruistic values of TSOs are also argued by the sector itself to create public value by ensuring a greater level of quality for service (although evidence here is not strong). However, current debates amongst policy makers and analysts question the extent to which involving TSOs as competitors in a mixed market economy may damage the very attributes that make them attractive to public service commissioners (Alcock 2010, Haugh and Kitson 2007, Kelly 2007).

In recent years there has been a huge growth in the 'grey' literature, both nationally and locally, on commissioning and the third sector. Most government departments have issued guidance for commissioning third sector services, with a clear rationale outlining the expected benefits of third sector involvement. The majority of local authorities and PCTs draft their own third sector commissioning strategies and guidance. These documents typically contain details of local authority

partnerships with TSOs, local priorities, implementation plans and budgetary information. However, as highlighted in a review of third sector literature conducted for Birmingham Voluntary Service Council (BVSC), these documents, outlining intentions only, are of limited use as they communicate little about real progress, implementation and outcomes of local third sector commissioning strategies (BVSC, 2009: p. 7).

The Office for the Third Sector (2006) set out eight principles of good commissioning and works with government departments to embed them as good practice in third sector partnerships across government:

- Develop an understanding of the needs of users and communities, by ensuring that, alongside other consultees, they engage with third sector organisations as advocates, to access their specialist knowledge.
- Consult potential provider organisations, including those from the third sector and local experts, well in advance of commissioning new services, working with them to set priority outcomes for that service.
- Put outcomes for users at the heart of the strategic planning process.
- Map the fullest practicable range of providers with a view to understanding the contribution they could make to delivering those outcomes
- Consider investing in the capacity of the provider base, particularly those working with hard-to-reach groups.
- Ensure contracting processes are transparent and fair; facilitating the involvement of the broadest range of suppliers, including considering sub-contracting and consortia building where appropriate.
- Seek to ensure long-term contracts and risk sharing wherever appropriate as ways of achieving efficiency and effectiveness.
- Seek feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs

Since the creation of OTS in 2006 a number of key third sector strategies have been launched. Here we examine two of these – DEFRA (2008), MoJ and NOMS (2008a), giving a brief overview and exploring and comparing the conceptualisation of the role of the third sector in the commissioning process presented in each.

Third sector strategy in DEFRA (2008)

DEFRA's 2008 strategy is wide ranging, reaching well beyond commissioning in exploring the ways that the third sector and DEFRA can achieve mutual support and rewards. It envisions that closer working with the third sector, from large NGOs to community-based initiatives, will aid the work of the department in several key areas, including: encouraging greener lifestyles within communities; training businesses and communities on issues related to climate change and carbon-efficiency; and improving the condition and appearance of local environments.

Despite this well-developed strategic vision, when addressing commissioning specifically, the strategy displays a rather narrow focus on procurement-related practices. Issues presented as key to improving commissioning include:

- improving DEFRA's understanding of its current work with TSOs and developing an evidence base;
- improving DEFRA's consistency in application of the 'eight principles' within procurement processes;
- effective dissemination of tender opportunities to third sector partners; and
- greater support for capacity building or market development initiatives with potential third sector providers/suppliers.

Following the lead of the Social Enterprise Action Plan (OTS, 2006), DEFRA also included new strategic partnerships with five social enterprise support organisations – the Plunkett Foundation, Social Enterprise Coalition (SEC), Development Trusts Association (DTA), Co-operatives UK and Regional Infrastructure Social Enterprise (RISE). Again, this is a market development initiative based on concerns to improve procurement.

Working with the third sector to reduce re-offending (MoJ and NOMS, 2008)

Within the MoJ strategy, commissioning is given a broad meaning. The strategy is centred around transforming services by improving the overall commissioning process:

- reviewing and refocusing work and resources on achieving agreed priorities and the outcomes needed;
- selecting the best providers through competition and creating a 'fairer playing field', actively reducing barriers to diverse third sector involvement;
- strengthening joint commissioning, and the involvement of all sectors in designing as well as delivering services;
- using grant funding alongside commissioning, where this better delivers outcomes;
- providing clarity on commissioning opportunities and undertaking Best Value reviews of probation services;

In particular the strategy highlights joint commissioning and user-led processes. It shows how joint commissioning with health, employment and education sectors is being developed and the strategy calls for even wider involvement (MoJ and NOMS, 2008: §5.10): 'With up to 50% of resources to support reducing re-offending coming from outside the Criminal Justice System, there is a clear need to work across government and with the full range of partners to ensure that offenders access mainstream services and that a holistic package of measures are in place'. In addition to the broader strategic commissioning approach the strategy offers several more specific recommendations around the commissioning process, including:

- developing monitoring tools to capture long-term impact and offender pathways more accurately;
- promoting understandings of the third sector's service offer to commissioners and prison service staff; and
- continuation of grant funding to support smaller providers.

The third sector and commissioning for health and wellbeing

The health sector has produced the largest volume of documentation around policy, strategy and guidance for third sector commissioning. However, it is also considered to be the hardest policy area in which to implement these changes, given the strong organisational identity of the NHS and its tradition of developing services in-house, especially in acute care. Documents considered here include:

- World class commissioning (DH, 2007a)
- Commissioning Framework for Health and Well-being (DH 2007b),
- Improving the quality outcomes for services to children and young people through effective commissioning: a self-assessment tool for commissioners (DH, 2007c),
- Response to Report of the DH Third Sector Commissioning Task Force 'No excuses. Embrace partnership now. Step towards change!' (NCVO, 2006)

The world class commissioning agenda (DH, 2007a) consolidated existing NHS strategies and tools around strategic commissioning. Its emphasis on community partnerships, governed by PCTs, provided the key link to encouraging independent providers, such as the third sector. The self-assessment tool created for commissioners of services to children and young people (DH 2007c) emphasised the importance of integrated approaches to commissioning, especially in relation to health and social care, and the assessment tool drew attention to the scope for partnership beyond local authorities and PCTs to TSOs and other independent providers.

In the Commissioning Framework for Health and Well-being' (DH, 2007b) the inclusion of the third sector is rationalised in terms of achieving greater choice, innovation and user-centred service interventions. Needs assessment and service delivery are highlighted as the areas of the commissioning cycle most suited to third sector input, where the advocacy skills of TSOs and the in-depth knowledge of user groups can be harnessed.

The 'Response to the Report of the DH Third Sector Commissioning Task Force' (NCVO, 2006) outlines recommendations and outputs from the task force which involve the third sector in transforming public services. These include the need to overcome barriers to third sector involvement by raising the profile and credibility of the sector amongst local authority and PCT commissioners. However, much of the detail relates essentially to procurement issues – there is a particular focus on standardising contracts as part of a move to develop more joined up services but with a recommendation (NCVO, 2006: §4.1) for procurement contracts to accommodate the third sector's local flexibility and responsiveness to users.

Government publications specific to procurement of TSO services

Specific guidance for procurement of services from the voluntary and community sector were produced by the Home Office and Office of Government Commerce (2004). The 'Think smarter...think voluntary sector!' report explores how supply opportunities can be opened up to the third sector and the maintenance of effective procurement relationships. The guidance outlines the following as critical success factors in TSO commissioning:

- Commissioner understanding the market through on-going dialogue. Get to know the TSOs within it, their organisation and capabilities, their problems in the procurement process.
- Early consultation on viability of policies, programmes and procurement strategies.
- Open contract opportunities to TSOs by providing information about how to become a supplier, wide publication of contracts in accessible media, training and support and a named contact for enquiries.
- Focus procurement on outputs/outcomes rather than processes to incentivise TSOs and capture their expertise and innovation.
- Keep it simple and proportionate (avoid jargon and paper overload) – reducing complexity and bureaucracy, in turn reducing costs of procurement to the TSO.

'Improving funding relationships for voluntary and community organisations: guidance to funders and purchasers' (HM Treasury, 2006) adds substantial detail on good practice around procurement. It organises guidance within six priority areas of wider funding context; stability of funding relationships; balancing risk and the timing of payments; full cost recovery; reducing the burden of bureaucracy; and publicly funded assets. CLG (2006a) promises 'fair, sustainable and stable funding for the third sector e.g. long-term contracting opportunities on a level-playing with the private sector', with commissioning and procurement practices which are 'intelligent' and encourage innovation in the sector. All documents stress that objective considerations of value for money should guide procurement decisions and practices.

Current state of third sector involvement and good practice

There are, as yet, only limited sources of information on the current state of play of third sector involvement in commissioning. Sources of literature relevant to understanding the role the third sector plays in commissioning are programme and project evaluations and research reports.

Results from the 'Evaluation of the third sector programme for commissioning' (Shared Intelligence, 2008, 2009) show variation in progress between different sizes of TSOs and across government areas. Commissioning of TSOs was seen to be slowest in the health sector, in particular amongst PCTs. Commissioners in general were found to doubt the capacity of TSOs to deliver and manage contracted services. Smaller TSOs were found to be less involved in government commissioning and BME TSOs were less likely to think commissioning processes were fair (Shared Intelligence, 2009: p. 42).

The potential for success of third sector participation in the commissioning of public services is illustrated in various good practice examples in the literature. Examples vary across sectors in terms of the type of TSOs involved, type of public service partnerships, scope of objectives and the nature of agreements with TSOs.

The publication *Making Partnerships work: examples of best practice* (National Strategic Partnership Forum (NSPF), 2007) draws on the world class commissioning (DH, 2007a) model of strategic commissioning and contains several examples of joint commissioning ventures involving multiple agencies, including local and national charities and social enterprises, particularly highlighting how they can help commissioning to focus on the specific needs of local communities, e.g. statutory organisations working jointly with a Nottingham young people's charity to provide improved health services to young people in disadvantaged areas.

The National Strategic Partnership Forum (NSPF) (2007: pp.17-18) describes good practice in third sector involvement as that which achieves added value in the following areas:

- strong user and carer involvement
- community engagement
- access to 'hard to reach' groups
- innovation
- cost efficiency (including use of volunteers)
- accessibility (the absence of stigma and threat attached to state-run services)

In recent years, social enterprises have been a particular focus for third sector policy and good practice guidance. DH has invested £15m (out of a £100m social enterprise fund) in publishing a guide for NHS staff considering using their "right to request" to set up a social enterprise. Similarly, the DEFRA 'Third Sector Strategy' (2008: 10) highlights the potential of national (and international) impacts through national government partnerships with national and multinational NGOs.

Barriers to third sector involvement in government commissioning

Barriers to involvement in public service delivery are seen as significant. Findings from interviews with over 100 third sector chief executives displayed "a deep disillusion about government commissioning" (Gutch, 2008). Third sector perceptions that commissioners have weak understandings of the value of TSO involvement are reported frequently in the literature. The policy trend for locally driven commissioning is also thought to problematise national TSO involvement, with provider organisations having to build multiple funding relationships with local commissioners, rather than having a single central contract. Concern has also been expressed by organisations allied to the third sector, that the 'prime contractor model' disadvantages small providers (DWP, 2008: p. 35).

Following Home Office (HO) and Office of Government Commerce (OGC) observations (2004), key barriers to involvement of TSOs are seen in terms of:

- Absence of initial planning and consultation with TSOs in the development of policy, programmes and strategies, leading to poorly packaged or ineffective procurements.

- Failure to properly assess TSOs' capabilities and to consider them as serious contenders. Insufficient recognition given to their strengths and skills.
- Public sector commissioners being too risk averse and worried that TSOs lack the resources, organisation, and business skills to deliver.
- Difficulty in finding out about contract opportunities and who to approach about becoming a supplier. TSOs often lack knowledge and experience of government procedures and have great difficulty in breaking into the market.
- Trend towards use of large scale contracts, such as national or regional frameworks, and rationalisation of the supplier base, rules out many TSOs.
- Difficulty in forging alliances with prime contractors prevents them from playing a support role in the supply chain.
- Invitations to tender can be unattractive to TSOs, e.g. complex and costly pre-qualification and tendering procedures with unrealistic timescales, prescriptive specifications and excessive contract terms.
- Lack of a level playing field in procurement, particularly relating to the unwillingness of some procurers to accept full cost recovery, including management charges, in TSOs tender prices.

Responses and planning to address these barriers occurs at five stages:

- when policy is first being formulated (early supplier consultation);
- when programmes and strategies are being shaped (seek supplier input in developing policy outcomes/outputs);
- during pre-procurement (better procurement strategies, including training commissioners and providing guidance to TSOs);
- during tendering phase (better tender documents);
- post-contract (feedback, review and continuous improvement).

Conclusions

The review confirms observations of the scarcity of academic research and commentary in the area of third sector commissioning. There is however a very large volume of grey literature from central and local government, independent bodies and the third sector itself.

The creation of the OTS has helped to move conceptualisations of commissioning on from their earlier narrow focus on procurement. Third sector strategies of government departments can be seen to be more in line with the wider Eight Principles of good practice for commissioning. Despite this, progress in involving TSOs is seen to vary between government areas and smaller, often BME, organisations face particular barriers to inclusion.

Emerging and potential future models of commissioning

In this section we discuss some of the emerging models of commissioning which are being discussed in Whitehall, together with some of the reasons given to us as to why existing models could usefully be refined or even replaced.

We contacted a range of Whitehall departments and government agencies in order to explore these issues. In the time available, it did not prove possible to arrange discussions with all those we contacted but we were able to get views from a considerable number.

The table below summarises the contacts actually made. (Contacts approached in other government departments were either unable or unwilling to be included in this short review).

Department	Commissioning	Research	Evaluation
CLG	Mark Upton, Head of Commissioning and Market Development	Jeremy Vincent, Head of Local and Regional Government Research Unit	
DCSF	Richard Painter (up to recently Head of Commissioning) Richard Selwyn, Government and public Public Sector, PIPC		Richard Bartholomew, Head of Social Research
DWP	Kay Vernon, Commercial Intelligence		
DH	Nigel Walker, Senior Advisor for Commissioning, Health and Wellbeing (recently moved to Gradus Consulting)	Alan Glanz, Policy Research Programme	
Care Quality Commission	Gary Needle, Director of Methods Anne Maclaren, Head of Improvement in Regulatory Methods		
Cabinet Office			Jonathan Portes, Head of Evaluation
DEFRA	Andrew Croston, Head of Strategic Procurement		
DfID		Sue Kinn, Research commissioner	Nick York, Head of Evaluation
IDeA	Tina Holland, Programme Manager, National Programme for Third Sector Commissioning; Theme Consultant for Strategic Commissioning Beacons		
Demos	Jaimie Bartlett		

Communities and Local Government

Contacts in Social Research in the Department for Communities and Local Government have confirmed that CLG has not commissioned any research specifically on the performance of the commissioning approach.

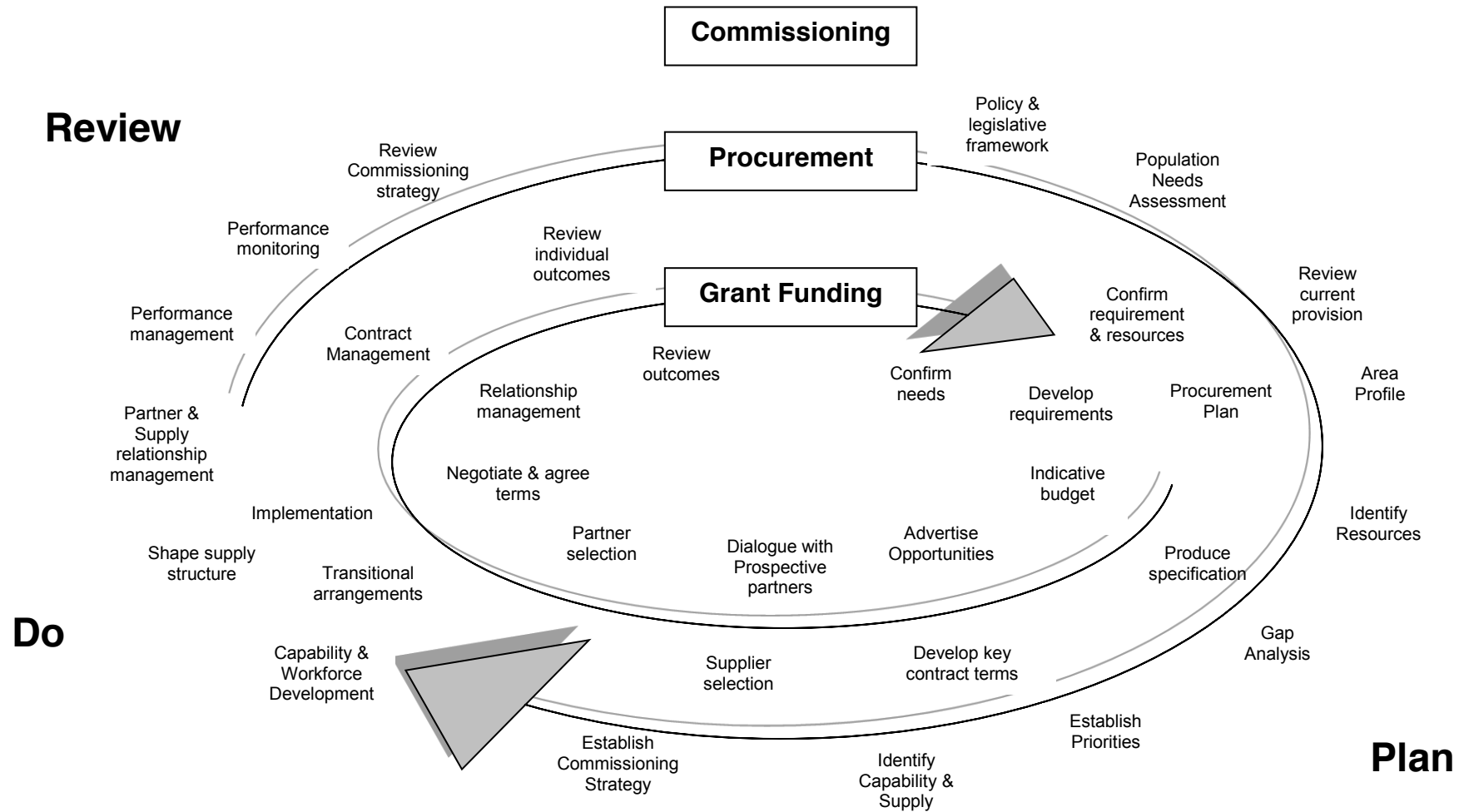
An 'informal consultation draft' note on the future role of commissioning by a working group brought together by CLG (CLG, 2009), and released for consultation towards the end of 2009 (but not widely circulated) has been shown to us. It suggested a number of quite radical changes in the CLG approach to commissioning. It pointed out that local government is not starting from scratch – its commissioning model is firmly rooted in many of the “people” services (e.g. adult social care, public health, education and children services and housing), although even in those services improvements could be made. The note advocated extension of the commissioning approach to local “place-based services” (e.g. waste management, leisure, culture and libraries, regeneration, transport and regulatory services), in order that a common platform can be built for service improvement and transformation.

It argues that, whatever the precise cycle of commissioning activities, effective commissioning lies in:

- an imaginative rather than a compliance perspective which focuses on understanding specific outcomes and improvements;
- linking each stage in the commissioning cycle effectively, each stage driving the next;
- driving service design by evidence of how best to achieve outcomes, rather than historic patterns of services and interventions;
- commissioning driving the design and delivery of procurement, funding and other delivery related activities, and the delivery experience in turn informing the on-going development of commissioning; and
- an ongoing dialogue with service users, communities, partners, the workforce and providers to ensure the process is equitable, transparent and inclusive.

The note argues that such changes will require a new relationship, facilitated through the new duty for community involvement (as advocated in Couzens (2007)), between communities, service users and their public services, in which communities and service users increasingly become co-designers and co-producers of the outcomes they want to see – even to the extent, in some circumstances, of leading the commissioning process and managing the day-to-day delivery of local services. This will mean shifting from a ‘deficit’ model of what is wrong with individuals and communities, to strengthening their aspirations and removing the obstacles they face in achieving their desired outcomes – moving the focus from structure and process and spending on services, towards investing in people and community outcomes. It suggests that this will parallel the move of control and influence over resources to local communities, through personal and participatory budgeting. It therefore seeks to bring together the *people* and *place* dimensions of seeking better, more, sustainable outcomes, questioning not only current local public services but also the role of local authorities, their partners and their providers, and their relationship with the communities they serve, in a Total Place perspective.

Figure 27: Commissioning and its relationship with procurement and grant funding³

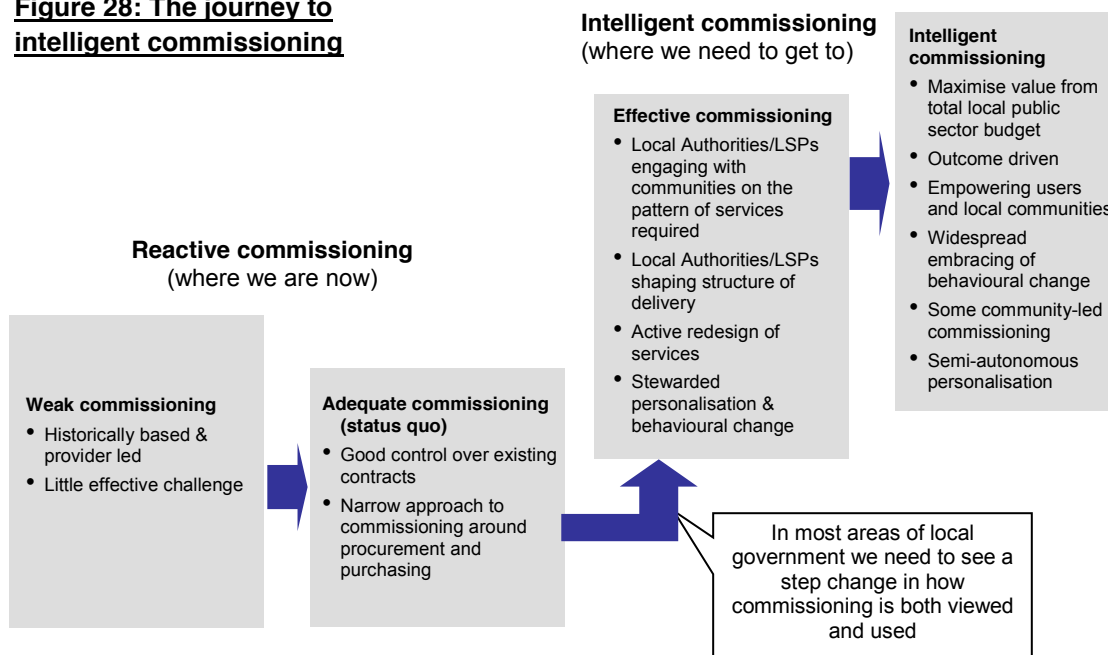


³ The commissioning cycle will look different at different levels of commissioning. The one used here is akin to strategic commissioning.

Its suggested version of the commissioning cycle (see Figure 27) owes much to the Institute of Purchasing Care model, although it gives an unusual emphasis to grant funding, which it sees as complementary to the delivery of public services secured through contracts (or service level agreements with in-house providers), so that on occasion a combination of contracts and grants may be used with the same partner/provider to secure key objectives.

The consultation document suggests the trajectory in Figure 28, from ‘weak’ through ‘adequate’ and ‘effective’ to ‘intelligent’ commissioning.

Figure 28: The journey to intelligent commissioning



The consultation draft suggests that making the step-change from a reactive and narrow perspective to intelligent commissioning means addressing some serious issues:

- Bringing together the different service traditions which exist within local authorities as well as across the local statutory sector so that commissioning provides a common platform for improvement and transformation.
- Providing a real purpose and meaning to that common platform by creating a shared and continuing understanding of community needs, committing to a single set of priorities and providing transparency of available resources across organisations.
- Securing the managerial and staff resources, skills and capability to deliver the commissioning process itself and the corresponding partnerships and supply relationships it requires (through learning, sharing and acquiring appropriate capabilities).
- Placing commissioning as the key local tool for securing local community, citizen and service user empowerment in political as well as managerial decision making.

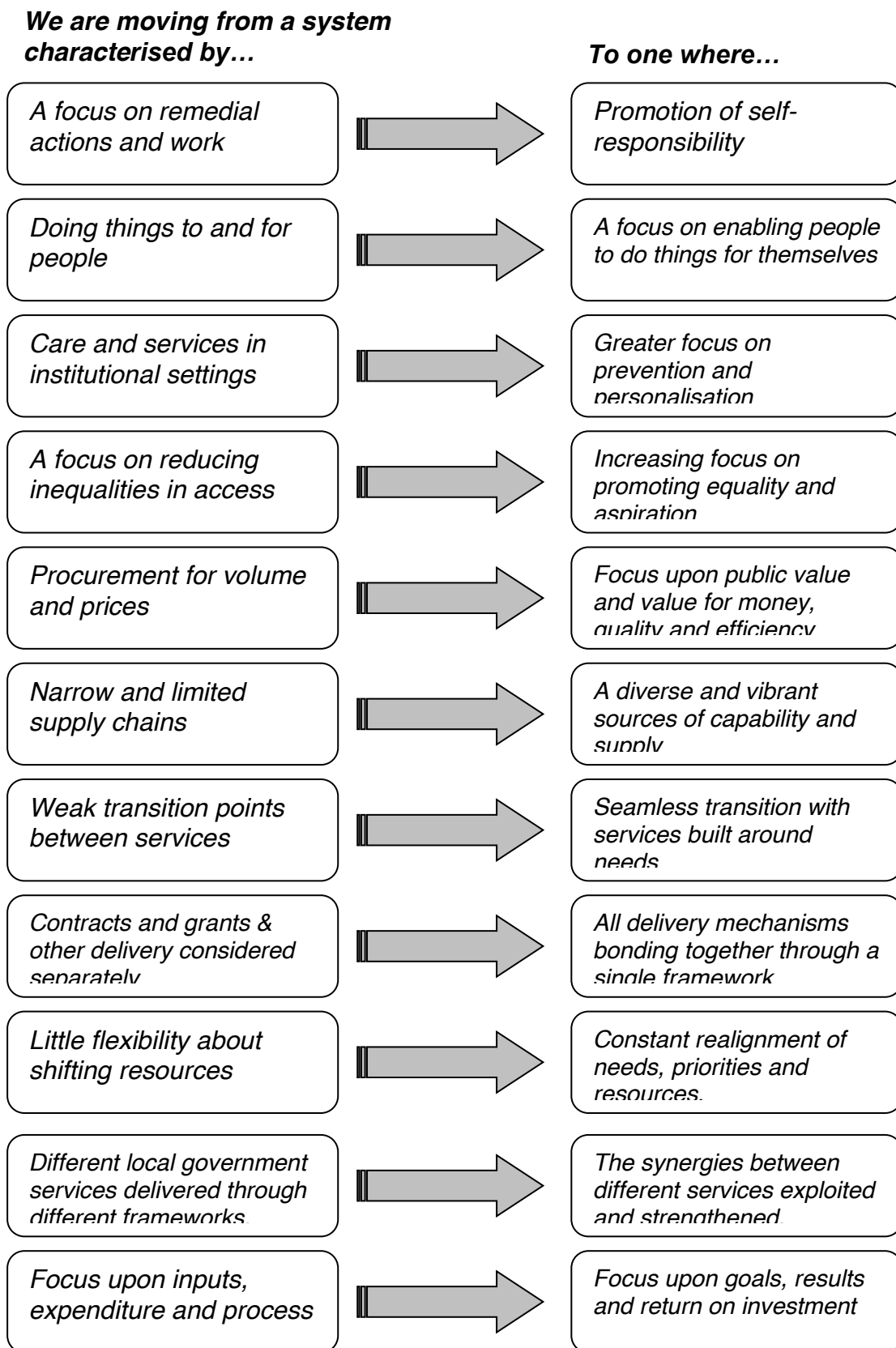
- Putting in place governance structures that can credibly govern, moving away from advisory and coordination-based arrangements to drivers of transformation.
- Moving to an approach which is driven by outcomes – from needs assessment, through delivery to performance review, managing expectations so that people understand the benefits will eventually outweigh the generally longer gestation period.
- Promoting a culture which embraces the actions, capability and aspirations of the local business, social enterprise and voluntary and community sectors, encouraging and exploiting the synergies between the social responsibility objectives of these sectors and the objectives of the statutory sector.
- Moving away from hierarchical and prescriptive contractual relationships with service providers, both external and internal, to public value based relationships.

The consultation document goes on to suggest that, to be able to embrace and practice intelligent commissioning, local authorities need to become “World Class Commissioning” organisations, which they define as developing the right knowledge, skills, behaviours and characteristics across a number of professions, working coherently together. While this would have strong parallels with the corresponding NHS approach, it suggests that local government commissioning has a different (and longer) history, and a different role to play in the delivery of community, citizen and customer outcomes, given the diverse and wide responsibilities of local government, so that world class commissioning local authorities would have some special features.

Overall, the consultation note therefore characterises the direction of travel in Figure 29.

However, in spite of this exploratory work in 2009, this consultation document was never followed up and a contact on the policy side of CLG has confirmed that is not currently developing its commissioning guidance further – the 2008 Guidance on Creating Strong, Safe and Prosperous Communities still represents the current state of play. Key staff in the Department have indicated to us that they are not sure whether the commissioning approach will continue to have priority after the May 2010 General Election, so further refinements to the current model have not been regarded as a priority.

Figure 29: Direction of Travel in Intelligent Commissioning



Department of Health

A contact in Policy Research in DH has confirmed that the Department has not commissioned research specifically into the success of the commissioning approach in general.

Although there is some research ongoing on what PCTs are achieving under the World Class Commissioning model and in Practice-Based Commissioning, findings are not yet available.

Policy on commissioning has been evolving in a number of directions. First, there is interest in rethinking the separation of the purchaser and provider roles. There is increasing recognition that purchasers and providers need to work with each other across all stages in the commissioning cycle. There are experimental pilots on the integration of both roles, with budgets allocated to organisations in a series of integrated care model pilots which involve care from different sectors.

In another policy initiative, there is discussion within DH about 'hard budgets' for practices (rather than the current 'indicative budgets' held for practices by PCTs). While this has resonances with GP Fundholding from the 1990s (and therefore is politically sensitive), there is a sense that it is a policy which is creeping closer, given other developments in health commissioning.

There is also current research on the allocation of PCT budgets to practices on a 'bottom-up' principle, based on analysis of the actual use of health care (both hospital and PCT) by the different groups in the population profile represented in each practice (rather than simply dividing up the total PCT budget by the number of practices, adjusted by 'needs' based on population composition). However, the data does not yet allow the model to include social care spend. (Contact suggestion: Jennifer Dixon, Director of Nuffield Trust, who has been involved in the design of this research).

A further policy direction which is currently being researched is the development of individual budgets into personal health budgets (e.g. for patients with asthma, diabetes, etc.), as recommended by the Darzi Review. (Contact suggestion: Julian Forder, PSSRU, Kent).

Major priority is currently being given to further research into the evaluation of social outcomes. This has developed from the Payment by Results (PBR) approach, partly resulting from US experiments, which has up to now been fundamentally based on activity levels (Chrisianson et al., 2007). *High Quality Care For All: NHS Review Next Stage Final Report* (DH, 2008) included a commitment to make a proportion of providers' income conditional on quality and innovation, through the Commissioning for Quality and Innovation (CQUIN) payment framework, which is a "simple overlay to PBR, forming part of commissioning contracts". The CQUIN payment framework is one of a range of commitments in *High Quality Care for All* designed to "support the cultural shift to put quality at the heart of the NHS". The key aim of the CQUIN framework is to support a shift towards the vision set out in *High Quality Care For All* of an NHS where quality is the organising principle. The framework has been developed with those working in the NHS, to help produce a system which actively encourages organisations to focus on quality improvement and innovation in commissioning discussions and so to stretch themselves, improve quality for patients and innovate. In particular, the guidance indicates that commissioners and providers should ensure that local CQUIN schemes include at least one area for improvement in each of the domains: safety; effectiveness (including

clinical outcomes and patient reported outcomes); user experience (including timeliness of provision); and innovation.

Taken together, the 2009/10 Operating Framework, the revised acute contract and new contracts for community, mental health and ambulance services, and the guidance on CQUIN require commissioners and providers to ensure that all contracts for 2009/10 link payment to quality improvement. For the acute sector, this should be through a CQUIN scheme linking payment to specific locally determined goals. In community, mental health and ambulance services, Primary Care Trusts (PCTs) and providers have the option of developing a CQUIN scheme or linking payment to an agreed quality improvement plan. In 2009/10, the CQUIN payment framework will cover 0.5% of a provider's annual contract income.

This approach has been piloted across a number of Strategic Health Authorities (Contact suggestion: Ruth McDonald, University of Nottingham). It is exploring the potential for offering commissioners and providers 'freedoms' rather than monetary payments. However, it is now being developed to extend from funding by PCTs of service providers to apply to NHS funding of PCTs as well.

There is also concern about the emerging 'tyranny of the small user-led organisations' – while it is recognised that these can sometimes be agile and best-placed to meet specific local needs, the current attention being paid to them may be leading to the sidelining of the needs of the large providers who dominate the social care and health markets.

In social care, there is concern that the pressures toward stabilising the market through longer-term commissioning are running directly counter to the destabilising pressures which are emerging from the personalisation agenda, where longstanding block contracts are being terminated, so that individual budget holders can make their own decisions on providers. This is currently injecting a high degree of uncertainty into the market, with providers unable to forecast how much demand there will be for their services – if any. Local authorities need to understand how the market is going to change – not only in social care but also in leisure and transport services – and need to make sure there is continuing supply.

However, another source in DH suggested the need to question why local authorities play such a large role in the care management system, when it would be possible to commission a consortium of third sector organisations which could do assessment and care planning, negotiate individual budgets with users, and help them to navigate the system to get providers. However, we were not given any current examples of such an approach.

More generally, there is concern that the intense preoccupation with personalisation in the adult social care side of DH has led to a lack of appropriate balance between the roles of individual commissioning, organisational commissioning and service system commissioning.

Care Quality Commission

CQC works essentially with two commissioning models – World Class Commissioning and the ‘nameless’ model used in Adult Care Services in 150 local authority areas. WCC is top-down and, although interpreted slightly differently in each PCT, is essentially a standard national model, as it was designed to be.

If more integrated commissioning across health and social care is to take place, as many consider desirable, then WCC may be an inflexible model – it may be necessary to move to a model which allows more local determination of priorities. The joint needs assessment in such an approach should not lead to two separate pathways, one for health and the other for social care.

At the moment, CQC has a concern that adults receiving both health and social care may suffer, as they are subject to two very different systems, which don’t match up at the interface.

Just as in health, there is now more interest in GP centred approaches – e.g. getting ‘hard cash’ down to groups of GP practices – it would make sense if such a principle were also extended to social care budgets, as part of integrated and joint service approaches. In fact, CQC was set up to promote this and some of its reviews have been chosen to demonstrate this, e.g. the potential for integrating the care given to people with both physical disabilities and mental health problems. CQC believes there is currently enormous waste from either duplication or people who fall entirely through the gaps.

This would be easier if DH instigated an integrated accountability framework – currently the NHS and Adult Social Care accountability frameworks are totally separated – one central, the other local.

While the principles of an outcomes-based approach to commissioning are now clearer, this has not yet led to a cascading of an outcomes-based approach down through the system right to procurement and contracting practices. Decisions and funding on the ground are much more determined by activities. QUIPP (Quality, Innovation, Productivity and Prevention) is meant to change this and some progress is being made in some regions, e.g. in the North West (suggested contact: Mike Farrar, CEO, NHS North West).

On the health side, there are some good proxy measures for health outcomes (e.g. primary angioplasty is a good predictor of successful outcomes) but in general there is a need to explore in more depth the value which health interventions add to outcomes which are recorded, both in total and for target groups in the population (e.g. those with the worst health profiles). CQUIN should be driving outcome-based contracting but progress is still slow.

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About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The third sector research centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector's capacity to use and conduct research.

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Service Delivery

From housing, to health, social care or criminal justice, third sector organisations provide an increasing number of public services. Working with policy makers and practitioners to identify key priorities, this work will cut across a number of research streams and cover a series of key issues.

Critical understanding service delivery by the third sector is important to policy making as the third sector now provides a major – and very different – option for public services, which may be more responsive to the needs of citizens and service users. At the same time, there are dangers inherent in the third sector becoming over-dependent on funding from service contracts – particularly in terms of a potential loss of its independence. The centre's research will help to inform the debate on the way in which service delivery is developing, the potential role of the third sector in commissioning as well as contracting, and the implications of different approaches to service delivery on the overall impact of the third sector.



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