WIRRAL COUNCIL

CABINET

2 JUNE 2011

SUBJECT:	DEVELOPMENT OF AN OUTCOME BASED COMMISSIONING FRAMEWORK
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	FINANCE AND BEST VALUE
KEY DECISION?	YES

1 EXECUTIVE SUMMARY

1.1 This report provides Cabinet with an overview of the development of an outcome based Commissioning Framework that can be used as the basis for fundamental service reviews and re-commissioning activity over the medium term in order to achieve the objectives set out in the Corporate Plan.

2 RECOMMENDATIONS

2.1 That Cabinet agree the principles contained within this report that underpin the development of an outcome based Commissioning Framework.

2.2. That a further report be presented on options for applying such a framework to major service reviews emerging from the consultation exercise.

3 REASONS FOR RECOMMENDATIONS

3.1 The aim of an outcome based approach to commissioning is to shift the focus of what the Council does from activities to results, and from how a programme operates to the good it accomplishes. To help achieve this and support a programme of service reviews which needs to operate alongside wider public consultation on Council priorities it is proposed to develop a coherent and consistent model of Commissioning that can be applied across all Council functions.

3.2 The Council does not currently operate such a model. Commissioning takes place in pockets across the Council, however many of these activities are in fact *'procurement'* by nature.

3.3 Whilst the model under development must be capable of being applied to every function within the Council it is proposed to focus it in two areas initially:

(a) services provided across the Council by the voluntary, community and faith sectors

(b) services provided in the Department of Adult Social Services to people with a learning disability.

3.4.   Lessons learnt from these pilots will be applied to other service reviews as they are undertaken. Considerable work in relation to the learning disability project has already been completed as part of the DASS Improvement Plan and budget stabilisation programme. This work has been done in conjunction with NHS Wirral and has informed the development of this commissioning framework.

3.5.   The primary purpose of NHS Wirral is commissioning, and external evaluation recognises they are effective at it. This skill must not be lost when the responsibilities transfer to GP commissioning consortia, but relationships will inevitably change. The Council will need to develop its approach to commissioning alongside that of the emerging consortia. It is also anticipated that more specialist support will be required, for example, to better understand data analysis. Appendix 1 illustrates the suggested commissioning framework.

4   BACKGROUND AND KEY ISSUES

4.1   There is considerable research into outcome based commissioning but few practical examples that have come to fruition with demonstrable and sustainable improvements in service outcomes and value for money. Alongside this there are, and will continue to be for the foreseeable future, major financial challenges facing the Council that will demand different ways of identifying, meeting and evaluating local need whilst resources are expected to diminish further.

4.2   The Council needs to develop a strategic commissioning framework that focuses on services that customers want, at the standard they expect and are prepared to pay for, whilst continuing to meet statutory responsibilities. This is a major shift in resource and service planning and should not be underestimated in terms of organisation and community culture. It will require major engagement with customers, suppliers and communities alongside the development of the Big Society and Localism agendas. For these reasons this report does not present the final version of a Commissioning Strategy. It does however seek agreement to the principles of outcome based commissioning and its further development and subsequent implementation.

4.3   Before considering such an approach it is essential to agree a common definition of commissioning and understand how it differs to procurement. It is important to note that the Council does not have much experience in commissioning and in particular outcome based commissioning.

a. **Commissioning** is defined as:

'the means to secure best value and deliver the positive outcomes that meet the needs of citizens, communities and people who use services'.

b. **Procurement** is an integral part of the commissioning process and is:

'the means of securing the delivery of a product, service or works through contracting arrangements'.

4.4   Commissioning therefore requires a broader and deeper understanding of population needs, priorities and aspirations and the resources that are required and available to meet them. It assesses the capability of meeting and delivering them through the spectrum of direct provision, service partnership or open market competition, or any combination thereof. Fundamentally it requires an evidence based approach to what works in building business cases for investment. Appendix 2 provides a summary of the benefits of Commissioning.

The Commissioning Cycle

4.5.   Commissioning should be seen as a continuous, sequential and cyclical process made up of the following four key stages (A more detailed illustration of the Commissioning Cycle is attached as Appendix 1)

Analysing   Understanding the needs, resources, strengths and weaknesses of the current position. Scoping the potential capacity, irrespective of *'who'* supplies the goods or provides the service, to identify potential solutions to how those needs can best be met.

Planning   Identifying the gaps between what is desired, needed and the resources that might be available. Establishing priorities and strategies to help address those gaps.

Doing   Ensuring things are done as planned in ways which efficiently and effectively deliver the agreed priorities.

Reviewing   Managing relationships, monitoring and reviewing the performance and impact of services on agreed outcomes, seeking performance improvement and decommissioning services where necessary.

Outcome Based Commissioning

4.6.   Outcome Based Commissioning requires a shift in practice from commissioning for volume and price to commissioning for quality and outcomes. The focus needs to move away from activities and processes to results. This change in thinking needs to be from 'how a service operates (what it does) to the good it accomplishes (what it achieves). Even within Adult Social Services where outcome based commissioning is considered more mature, contracts are pre-occupied with activity (how many customers, hours, waiting times, complaints etc). Whilst these may be important indicators they do not answer the fundamental question, *'what good did you achieve for your customer'.*

4.7. Outcomes are notoriously difficult to measure so there is a tendency to tighten up contract monitoring arrangements of inputs and processes in an attempt to reassure the Council the service is performing. However if the provider is concentrating on these it is suggested this is not a good use of their resource which would be better applied to the service itself. This is particularly the case for small enterprises and the voluntary, community and faith sectors who may lack the capacity. Furthermore, for smaller initiatives it is suggested that the current contracting approach places an unnecessary administrative burden on the provider which can only dilute the benefit from the investment.

4.8. Outcome based commissioning should set these providers free to do what they do best in their local communities. This will require a level of maturity and the development of greater trust on both sides with a common understanding of what is an outcome, output, input and process. The following definitions are put forward:-

a. **Outcome**

An outcome is the result of an activity. It can be categorised as **an individual outcome**, for example, a person is now able to get up in the morning without support following the intervention of re-enablement support, or it can be a **service outcome,** for example, the Welfare Rights Service helped 100 people access the correct benefits, or a **strategic outcome**, for example, more people are helped to live at home. Several of these can be clustered around the individual and are referred to as 'domains of outcomes'. Examples of these exist in the outcomes framework for Supporting People, Every Child Matters and the White Paper 'Our Health our Care our Say'.

b. **Output**

An output is the desired level of service from the provider. This is usually expressed as service availability, speed, delivery, quality, for example, the number of training events held, the number of hours of home care, or weeks of respite care provided. A positive outcome is inferred from these but there is no direct relationship to the product or service. In other words it does not measure how effective a service was in meeting someone's needs or aspirations.

c. **Input**

An input is the resource invested into the product or service in order to deliver the output. For example, the number and hours of workers.

d. **Process**

A process describes the way of working. For example, an equal opportunities policy is in place.

APPLICATION OF AN OUTCOME BASED COMMISSIONING FRAMEWORK

4.9. The commissioning framework for health and well being was published in March 2007. This aims to deliver a shift from treating people when they are sick to keeping them healthy and independent, avoiding or delaying prolonged illness wherever possible. It provides a clear commitment to increasing people's choice and control over what services they access, where, and to what level of quality. People themselves specify the outcomes they desire and this is integral to the development of Personal Budgets within Adult Social Services.

4.10. The suggested pilot for the development of this Commissioning Framework is services for adults with a learning disability within the Department of Adult Social Services and voluntary sector funding across all Council Departments.

4.11 Seven principles of effective commissioning are drawn from the commissioning framework for health and well being which can be applied to all service areas. These principles should form the basis of the Commissioning framework.

a. **Place the customers' needs at the centre of commissioning**

The Council should seek views and give more choice and control over the services people wish to have available to themselves or others in their communities. This includes the provision of, and access to, good quality information and advice to support these choices. The Council should promote people and community involvement in shaping services and ensuring appropriate advocacy is available to support people who may find it more difficult to express their views.

b. **Understand the needs of the population, communities and individuals**

The Council, with its partners, should research the needs and aspirations of communities. This aspect of customer and community engagement should not be underestimated as it will take time to establish a coherent picture of the range of Wirral communities' priorities that can be relied upon to drive commissioning that is effective and fair. The Council will build on work already undertaken with partners to develop the use of information through the statutory Joint Strategic Needs Assessment and other strategic intelligence projects.

c. **Share and use intelligence more effectively**

The Council should use and share information with customers, staff and providers. This includes clarifying what information can be lawfully and practically shared, and under what circumstances. It may also include joining up Information and Performance Management Systems with the Council's major partners.

d. **Assure the highest affordable quality providers for all services**

The Council should develop effective, strong partnerships with customers and providers and engage them both in the assessment of need. The focus should be on outcomes, leading to innovative solutions that are tailored to meet the needs of individuals. Services and goods should be supplied by a wide enough range of providers to stimulate choice but not suffer from diseconomies of scale. Procurement should be transparent and fair and performed within European Procurement Regulations. However business processes (eg tenders, evaluation and contract performance monitoring) should be proportionate to the level of investment and risk to individuals and the Council. This is particularly relevant to small and medium sized enterprises and voluntary, community and faith sector providers. The Council will ensure that the social value aspects of procurement feature in the award of contracts.

e. **Seek out collaborative approaches wherever possible**

The Council should actively seek out collaboration whether it be with partners in Wirral to improve local services or with other local authorities to develop intelligence or enhance purchasing power. Collaboration not only enhances intelligence and aligns visions and values, but can also effectively spread risk.

f. **Provide incentives for innovation**

Sometimes it will be necessary for the Council to experiment by funding untested initiatives and it needs to be recognised that some will not work. This will require a mature approach to risk taking and incentivising innovation. The Council will look to promote social enterprises and mutuals.

g. **Make it happen - local accountability, capability and leadership**

The Council will need to set out its vision in terms on an outcomes framework including a set of outcome metrics that underpin the Corporate Plan. To make this happen the Council will need to continue to invest in developing capability both within its workforce and in external organisations who can add value to the process.

REALISING THE BENEFITS

4.12. Recognising the cyclical nature of the Commissioning Cycle, the starting point should be to review current areas of responsibility. From this will flow an understanding of current services being provided and the usage or demand for those services. The danger is that it does not in itself challenge the need for that service. Only after this had been done should services be planned and delivered i.e. *'commissioned'*.

4.13. The following criteria should be used to assess the effectiveness of a commissioning approach to developing service areas:-

   (a)   Is the service essential to meet Council priorities?

   (b)   Does the area to be reviewed have a significant budget, or are there financial pressures that put the area at risk?

   (c)   Are there external policy drivers or regulatory issues that require this area to be reviewed?

   (d)   Is there potential scope for the service to be delivered differently or by others?

   (e)   Does the area of activity involve more than one Department of the Council or its partners?

   (f)   Has the need for the service been identified?

4.14. The application of the framework to people with a learning disability will support the Director of Adult Social Services in addressing some of the concerns highlighted in 2010 by the Care Quality Commission. The review will robustly challenge and enable the local market to address service gaps, raise standards and meet the requirements of the personalisation agenda. It will also ensure a joined up and efficient use of resources across the Council and Health services. The commissioning implications identified by the Director of Adult Social Services include:-

   (a)   Reviewing the needs of people to ensure they are being met in the most cost effective way

   (b)   Developing options that provide more employment and better access to leisure and housing opportunities

   (c)   Reviewing the need and type of services to be provided during the day

   (d)   Ensuring the needs of people who are older or from BME communities are assessed and appropriately commissioned

   (e)   Ensuring advocacy is available

4.15. These are fundamental issues within the DASS improvement plan and significant progress has already been made. The adoption of this strategy will serve to embed the improvements and support the ongoing investment in this area of activity. It will provide a good foundation to test the benefits the Commissioning Strategy should have.

5.   **RELEVANT RISKS**

5.1   Without a corporate approach there is a risk that commissioning practice across Departments will diverge. The principles outlined in this report support a central approach to commissioning and funding activities provided by the voluntary, community and faith sectors.

5.2   Changes to funding arrangements will need to be managed sensitively and transparently in order to avoid damaging good working relationships that may already exist.

5.3   There is an inherent risk that funding arrangements will not deliver good value if not managed effectively. The principles outlined in this report include a risk-based approach to commissioning and contracting that is proportionate to the level of investment and reputational risk to the Council.

5.4   There is a reputational risk to the Council if the commissioning framework is not adopted fairly, clearly and promptly as it may create uncertainty within the voluntary, community and faith sector. The Council is committed to supporting the capacity of this sector to enable them to participate in the marketplace and is putting in place more robust and co-ordinated approaches to do this.

6   **OTHER OPTIONS CONSIDERED**

6.1   None

7   **CONSULTATION**

7.1   Consultation is ongoing with all Council Departments. Proposals will be developed for wider sector participation in the further development of the framework. These will reflect the need to work in partnership with the voluntary, community and faith sector to develop a clear understanding and consensus about the framework and, in doing so, will also recognise the work that has already been done with the sector and partners to explore local commissioning approaches.

8   **IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

8.1   The Commissioning Framework will have implications for voluntary, community and faith groups. The Council is committed to engage with the sector at all stages of developing the approach to ensure that these implications are explored and widely understood.

9.   **RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

9.1   The principles of commissioning outlined in this report do not require any immediate changes to the Contract Procedure Rules or Financial Regulations. However the transition to outcome based commissioning almost certainly will and these will be reported to Cabinet.

9.2   The corporate approach to commissioning may require virement between Departmental Budgets and the transfer of staff resources into a central unit which will be able to take a more strategic overview of Council commissioning activity.

9.3   The proposals will promote greater efficiency through a consistent process and ensure that resources are effectively allocated through commissioning to meet Council priorities.

10. **LEGAL IMPLICATIONS**

10.1 The Commissioning Framework requires commissioners to operate within the Contract Procedure Rules, Procurement Strategy and with any statutory requirements.

11 **EQUALITIES IMPLICATIONS**

11.1 In moving to a more robust commissioning approach there is a risk that small organisations working with equalities groups may not have the skills and capacity to respond to formal commissioning procedures. Commitment to supporting these groups will be highlighted in the Commissioning Framework and an Equalities Impact Assessment will be carried out as part of its development.

12 **CARBON REDUCTION IMPLICATIONS**

12.1 The environmental impact, and carbon reduction in particular, will be incorporated into the evaluation of funding criteria. This is also contained within the Procurement Strategy.

13. **PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

13.1. There are none arising directly from this report.

FNCE/90/11

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APPENDICES
Appendix 1 - Strategic Commissioning Framework
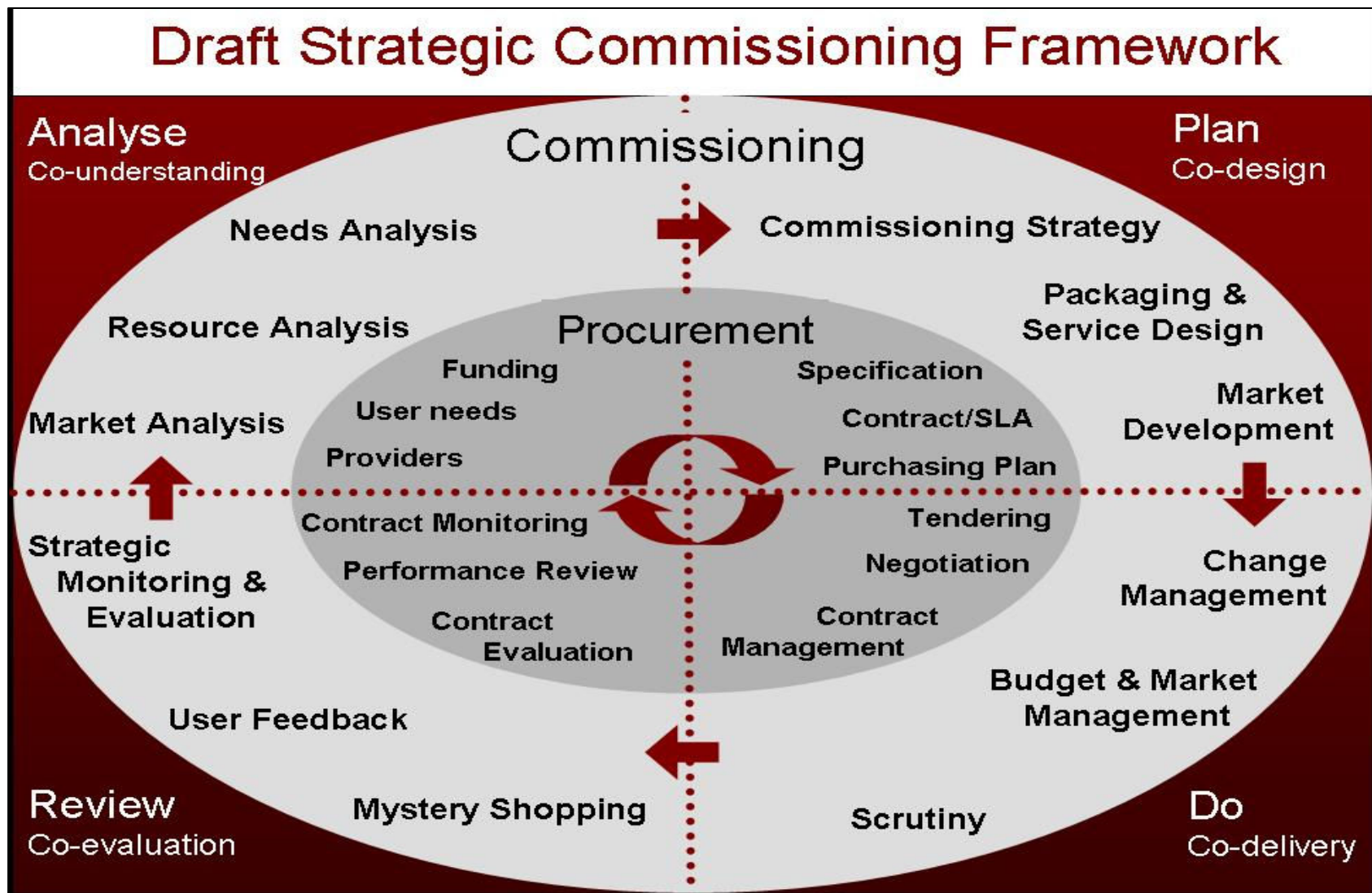Appendix 2 - Benefits of a Commissioning Approach

REFERENCE MATERIAL
Corporate Procurement Strategy – February 2010.
Audit Commission Review – Commissioning and Procurement, December 2009.

SUBJECT HISTORY (last 3 years)

Council Meeting	Dates

Draft Strategic Commissioning Framework

Analyse
Co-understanding

Plan
Co-design

Commissioning

Needs Analysis

Commissioning Strategy

Resource Analysis

Packaging &
Service Design

Procurement

Funding

Specification

Market
Development

Market Analysis

User needs

Contract/SLA

Providers

Purchasing Plan

Contract Monitoring

Tendering

Strategic
Monitoring &
Evaluation

Performance Review

Negotiation

Change
Management

Contract
Evaluation

Contract
Management

User Feedback

Budget & Market
Management

Review
Co-evaluation

Mystery Shopping

Scrutiny

Do
Co-delivery

THE BENEFITS OF A COMMISSIONING APPROACH

1   Why commissioning?

1.1   The challenges which face local government and all public services are profound and include:

- The public's continually rising expectations of their services together with the need to achieve value for money in the context of increasing resource constraints

- The challenge of addressing more complex problems (such as behaviour-related health problems) in an increasingly complex and challenging environment (for example where traditional family structures are becoming more diverse and fragmented)

- Increasing wealth amongst some parts of the population accompanied by an increasing desire for choice, personalisation and quality; and

- At the same time, a sustained need to make more progress against core social justice objectives such as achieving minimum standards for all and addressing inequalities in outcomes and experience

1.2.   The current position of public finance adds urgency to an already challenging agenda driven by the scale of demographic, social, economic, and environmental change in prospect over the next decade. Current service models will neither be affordable nor sufficient to meet needs within current resources. This will require a strong partnership between statutory bodies and with the people and places they serve.

1.3.   Commissioning therefore provides a framework for service improvement and transformation providing:

- a whole system approach to bring needs, priorities and resources together

- a framework which reinforces service improvement tools such as business process improvement, procurement and grant funding

- the potential of a common platform for the many service traditions within Local Government and its partners

2   What is effective commissioning?

2.1   Commissioning excellence lies in the effectiveness of the skills, knowledge and behaviours that underpin the framework. Therefore effective commissioning lies in:

- focusing on the understanding of specific outcomes and improvements that commissioning is intended to achieve by approaching the cycle from an imaginative and innovative rather than a compliance perspective

- each stage in the commissioning cycle operating as a whole process being informed by the previous stage and driving subsequent stages of the cycle

- a clear evidential route to planning which separates the outcomes to be achieved from the services to be provided such that service design is not driven by historic patterns of services and interventions

- the commissioning cycle driving the design and delivery of procurement, funding and other delivery related activities. In turn, the delivery experience must inform the on-going development of commissioning; and

- the process being equitable and transparent and open to influence from all stakeholders via an ongoing dialogue with service users, communities, partners, the workforce and providers

2.2. If commissioning is to be fit for purpose and play its role as a central driver in the achievement of positive outcomes for local communities, it needs to be more open, discerning and thus more intelligent both in terms of what drives commissioning decisions and the way in which commissioning is structured and executed:

(a) ***Commissioning driven by outcomes*** - Commissioning and procurement processes should be driven by the identification and achievement of outcomes that local communities wish to see, with delivery mechanisms flowing from these rather than simply building upon historic service patterns. The language of outcomes should encourage commissioners, partners and providers to think differently, putting people's experiences and community results first.

(b) ***Commissioning decisions embracing both value for money and public value and the balance between the two*** - Commissioning should strive for long term value by embracing both value for money and public value by addressing the most important things identified by local communities on the basis of a thorough understanding of local needs. In this way best value is achieved for citizens across the community in terms of the use of public resources as well as better outcomes for service users and communities.

(c) ***Public expenditure viewed as an investment in outcomes, with returns judged by results*** - Commissioners must see themselves as "investors"; judging success by the tangible community benefits that interventions and services were designed to serve. This will mean that financial management should shift from being focused on gate-keeping money and resources to a more positive perspective of getting the best returns and results from the resources available. This will help improve expenditure decisions through targeting and provide the basis for increased investment in preventative measures rather than continuing to plough money into services dealing with the consequences of inappropriate previous decisions.

(d) ***Commissioning is driven effectively through different levels*** - There is not a single "ideal" organisational location for commissioning: rather the task should be to decide the most appropriate level to drive a particular commission. To be truly effective, commissioning for a particular outcome may need to operate at a number of different levels. Strategic Commissioning will be a constant as it enables commissioning frameworks which link different operational services, objectives and organisational boundaries to secure key community outcomes structuring commissioning at different levels as it does so.

(e) ***The nature of commissioning at different levels will vary from service to service, area to area***. For a particular outcome, different services might be planned and delivered at different levels. For example, at a locality level for a particular outcome it could be around determining needs and priorities, and monitoring performance.

(f) ***Adapting the style of commissioning according to circumstances.*** At all levels local authorities should seek to influence contributions across the local economy so that social, economic and environmental well being is maximised whatever the formal arrangements for the management of contributory current services might be. This means showing leadership through:

(g) ***Influencing*** issues affecting communities which are not confined to specific organisational responsibilities and geographical boundaries of different services.

(h) ***Enabling*** others within the community, for example local business and social enterprises and voluntary and community groups, to take an active role in promoting and investing in actions to secure community outcomes.

(i) ***Shaping*** markets using influence and a longer-term perspective to encourage the independent provision of services that are able to meet local needs where the market, private and social enterprise may not immediately be able to do so unaided.

(j) ***Procuring*** the best specialist services for the public through private, third sector or in-house specialist providers or a combination of them.

(k) ***Commissioners are effectively matching purpose with the right source of capability levered by the appropriate tools*** - Intelligent commissioning recognises and embraces diversity in the way in which and through whom outcomes can be realised. Securing better outcomes requires a strategic and integrated approach incorporating the contribution of a number of different services and interventions.