

## **Improving efficiency in commissioning**

### **PwC / ACEVO / Community Alliance briefing**

#### **Overview**

Government spends some £175 billion a year on commissioning goods and services<sup>1</sup>. But it is widely recognised that it does not secure the maximum value that it could out of such an enormous spend. Government therefore spends further millions on improving its ability to commission goods/services. But our analysis is that that support for commissioners represents relatively low value for money too, being poorly coordinated, siloed and skewed towards procurement skills and the purchasing of goods as opposed to commissioning skills and the securing of human services. In the current fiscal climate, and with the Government intending to secure more services than at present through commissioning, we believe there is a need to improve and streamline the support given to commissioners to enable them to secure better value for money and more bang for the public buck. In particular, we believe that streamlining and improvement could be achieved by joining up support for commissioners from across Government, and putting support for added social value commissioning at the heart of that support – the latter being a shift which we believe could be key to the Government's ambition to make the Big Society a reality.

#### **1. Government is not getting the maximum value out of its commissioning spend**

Government spends £175 bn a year on commissioning goods and services. But it is clear that Government does not get the maximum value that it could out of that spend. In particular:

- a) public sector agencies are better at procurement than commissioning, i.e. better at purchasing goods and services within the law than at identifying need, working with providers to shape solutions to that need, stimulating the market to respond to that need more effectively, communicating with the market, etc.
- b) commissioners are weak at leveraging additional benefits over and above the services they are directly commissioning. For instance, a local authority commissioning park maintenance services could secure added value to the state by commissioning a third sector organisation to employ offenders to undertake the task, thereby simultaneously reducing the risk of reoffending (and likely supporting a more third sector/Big Society response). But this remains rare.
- c) procurement processes involve unnecessary (and expensive) duplication and bureaucracy. For instance, a provider contracted by both a PCT and a local authority might be asked for essentially the same information twice in slightly different ways by each agency; and some of the information demanded might not be genuinely needed.

#### **2. Government's attempts to remedy that problem are themselves poor value for money**

---

<sup>1</sup> HMT's Operational Efficiency Programme

The case above is widely recognised. As Government has outsourced more services, and thereby increased its reliance on commissioning, it has therefore sought to improve its ability to secure value for money through more effective commissioning.

These efforts have themselves incurred significant costs. We are not in a position to map the previous administration's efforts to improve commissioning, but the following gives a very broad-brush illustration of the sums of money involved:

- DCLG's mapping of the 'improvement architecture' identified some 170 'offers' made available to local public sector agencies, at a cost of roughly £4.5 billion per year. Support for commissioning would only make up a proportion of this spend, but is likely nevertheless to be significant.
- Since the Department of Health created its Framework for procuring External Support for Commissioners (FESC) in 2007, 10 PCTs and SHAs had used FESC by January 2010. The value of the contracts thereby secured was £49.9 million. The House of Commons Select Committee's 2010 inquiry questioned whether this represented value for money. If the 152 other PCTs and SHAs spent just half the equivalent sums on securing support for their commissioners, the total bill to the public purse would be some £430 million. This does not include the cost of the Department of Health's own World Class Commissioning programme.
- Other departments have their own programmes to support commissioning (e.g. the former DCSF established a £20 million Commissioning Support programme for Children's Trusts; OCS runs a welcome but relatively small programme for improving commissioners' understanding of the third sector).

Clearly, the sums involved in supporting commissioners are significant.

We believe there are inherent reasons as to why the current framework for providing that support to Government commissioners is unlikely to represent value for money. Namely, respectively to the problems with commissioning outlined in part 1 of this paper:

- a) anecdotal evidence suggests that much of the support on offer to commissioners is support with procurement skills, rather than support to help them manage markets from which they can commission services. But one of the major obstacles to achieving value for money is commissioners' relative weakness in managing markets / undertaking 'commissioning' as opposed to 'procurement' (see above).
- b) the support on offer is generally siloed along the same lines as Government agencies (i.e. one offer of commissioning support is offered to PCTs, another to local authorities, etc). This is unlikely to enable better joint commissioning. Meanwhile the welcome support from OCS for commissioners to work with the third sector is a relatively marginal add-on to this series of silos, despite building a Big Society being central to current Government policy. But one of the major obstacles to achieving value for money is commissioners' relative weakness at securing 'added social value' from the services they themselves are directly responsible for commissioning (see above).

- c) the fact that the support on offer is generally siloed also makes it more difficult for commissioners across the public sector to simplify and standardise their procurement processes. But one of the major obstacles to achieving value for money is precisely this lack of simplicity and standardisation (see above).

### **3. We need to streamline, join up and 'socialise' Government support for commissioners**

We therefore believe Government needs to get better value out of its efforts to support commissioners to get value for money. We believe that could be achieved by streamlining, joining up and 'socialising' the support Government makes available to public sector commissioners. We believe the current moment (a new Government with a cross-departmental commitment to efficiency and Big Society, the transfer of OGC from Treasury to the Cabinet Office with its leadership role on both the efficiency and Big Society agendas, and the departure of the current CEO of OGC) represents an opportunity to do this. In more detail:

- the current fragmented commissioning support 'offers' or their remnants (DH's World Class Commissioning programme, DoE's Commissioning Support programme etc.) could be streamlined (i.e. virtually co-ordinated or physically merged) under the auspices of the OGC in the Cabinet Office. Significant savings might be made in the process.
- as a result, Government support for commissioners could be more joined up and coherent, and could enable simplification, standardisation and more joint commissioning. By being under the same roof as OCS, it could also be better joined up with the support Government makes available to providers of public services (through capacity-building programmes etc.), and with the support that external organisations (such as ACEVO, bassac, DTA, Community Matters) make available to providers independently. Our 'offer' as a collection of such organisations would be to coordinate our services more effectively through a similar model to the Asset Transfer Unit – linked to but not necessarily funded by the Cabinet Office and focusing on areas such as partnership building (across third, private and public sectors), demonstrating added value, etc.
- that streamlined, joined-up support could be 'socialised' – i.e. be significantly influenced by OCS and involve the mainstreaming of initiatives such as social impact bonds, social clauses, Social Return on Investment (SROI) etc. This would enable Government to support commissioners to secure added social value for every £1 of public money spent, and simultaneously better enable Government to deliver on its Big Society agenda.

### **4. We need to support people to be the commissioners themselves**

Finally, the move towards service users becoming commissioners themselves (e.g. through personal budgets in health and social care) offers significant opportunities for more efficient commissioning, with individuals potentially better able to choose the right services to address their needs and better able to join up services otherwise delivered through different public sector silos. However, to realise the associated

opportunities here, Government will need to approach personalisation in a systematic way, for instance by: investing in support for individuals to be commissioners themselves (e.g. through information provision, advice, advocacy), investing in higher-tech infrastructure (e.g. to enable individuals and providers to interact online, or through smart-card systems), or regulating supply in order to ensure genuine choice and competition in a safe environment. Again, we see it as essential that Government approaches this agenda in a way that is joined up with its broader efforts to reform commissioning, not as a separate issue.