

Response to the Modernising Commissioning Green Paper

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This green paper offers an excellent opportunity to rethink how commissioning is approached.

My key recommendations are

1. Create a right to propose services on the basis of vfm
2. Require decommissioning to be subject to assessment of value that considers how to protect value
3. Create a duty on public sector bodies to co-operate in the interests of securing best value
4. Create more transparency on assessment of value created by public services to go with transparency of costs
5. Integrate guidance on “social” or other types of value with vfm
6. Promote an understanding that in identifying , measuring and using analysis of value judgements need to be made
7. Develop guidelines on what is considered proportionate based on practice
8. Extend practice around involving stakeholders, understanding change and valuing what matters
9. Use developments in involving stakeholders in commissioning to identify material change and relative value
10. Provide training that offers a staged approach to implementing more consideration of value in commissioning

New opportunities

Payment by results

There should be an element of payment by results for all contracts but payment should not be based solely on results unless there is very good existing evidence of what gets results. What is considered a result should be progressive each time the contract is awarded and based on developing a picture of the value created by different services, using a framework that deals with identifying and analysing value. Payment by results needs to be careful to avoid favouring cherry picking and to avoid exclusion of more innovative but less certain solutions.

Right to challenge and right to provide

Right to challenge is a good idea, however the challenge needs to be based on value for money. This will be harder to implement without an appropriate system of accounting for value across the public sector.

Also, in many cases a key issue is not so much the public sector running a service badly so much as a service not existing in the first place or being too fragmented across different parts of the public sector. The right to challenge suggested should be extended to a **right to propose**. Again this should be based on a value for money proposition which needs to be premised on an improved system of accounting for value across the public sector. This would need to include an audit standard for local government.

Right to provide should be based on value for money too. It is not necessarily the case that external provision is better than internal provision.

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Transparency of **internal** public sector costs would be a good extension to the government's existing policy of publishing spending over £500 with third parties.

More Accessible

Sub-Questions: What issues should Government consider in order to ensure that civil society organisations are assessed on their ability to achieve the best outcomes for the most competitive price?

The green paper talks about transparency in the compact. However the key things that would support effective challenge from CSOs where they think they could improve the value for money achieved would be:

1. Transparency of current costs of **& value** created by existing services and
2. Opportunities to challenge including a right to challenge, **a right to propose**, increased use of competitions for innovation in public service delivery, and a standard commissioning practice that includes dialogue with potential providers to understand what could be offered.

Value

Subquestion: What approaches would best support commissioning decisions that consider full social environmental and economic value?

Decommissioning, and not just commissioning should also be subject to consideration of value implications.

Value needs to be seen as part of value for money and not something separate or conflicting with the concept of value for money. Systems in use for identifying and analysing value need to move towards being able to distinguish what is material, how value may be created and destroyed as a result of change, for whom and how important it is relative to other value that could be created.

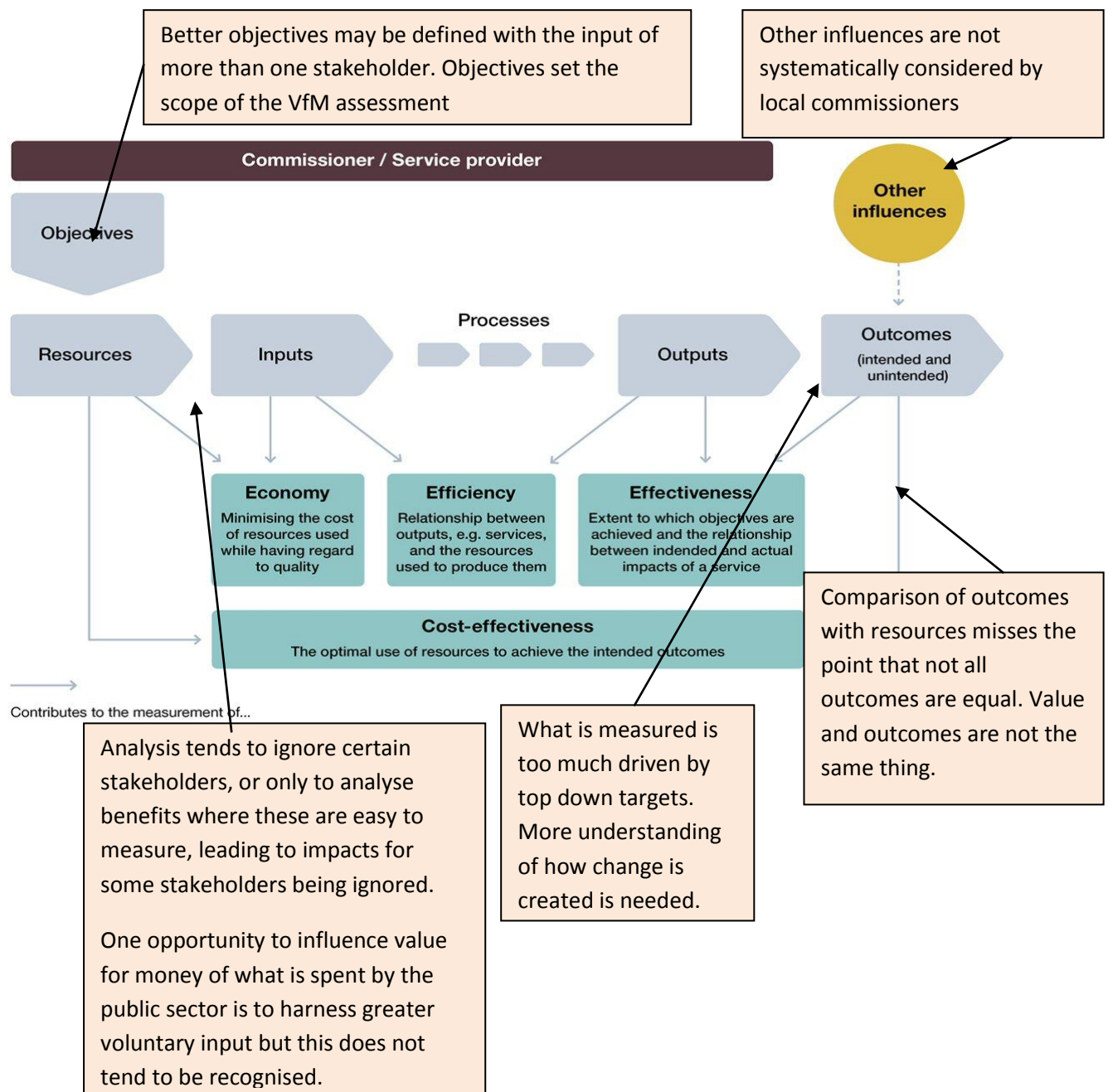
Support needs to be given to commissioners to deal with the judgements that are necessary since the previous government's culture of targets has reinforced an attitude that there is "a right answer".

Value in this context may be defined as "the relative importance of changes that stakeholders experience as a result of an activity". The SROI framework for accounting for value deals with better understanding these changes and their relative importance by applying a set of principles to guide the necessary judgements. It is important to note that within this framework, financial proxies are assigned (by involving the relevant stakeholders) with the purpose of representing relative value.

Definitions of (social or added) value that consider only the value that is not traditionally associated with a service, or that think of it only in terms of the things that aren't traditionally measured may be confusing for those in the public sector who try to reconcile these ways of looking at value with the way they're already looking at value.

Value for money is a crucial concept in the public sector and to try to define (social or added) value as something separate from this is flawed. Nonetheless the way value for money is commonly conceptualised and applied can be used to flag up where there are limitations in the current system which, if addressed would lead to better assessment of value, the purpose of which is better allocation of resources.

The following diagram from NAO has been annotated to explain where traditional approaches to assessing VfM may be limited. It must be borne in mind that this NAO diagram in fact already represents a relatively comprehensive view of how vfm should be assessed (when compared e.g. to the audit commission version).



Recommended approach to maximising value in commissioning a particular service:

There are three crucial points in the commissioning cycle at which value may be maximised:

1. Using the identification of **potential** value to influence the definition of need identification of options and appraisal of options¹, choice of objectives/purpose, and definition of requirement.
2. Using an understanding of the **value that the chosen option is likely to create and destroy** to control and promote value maximisation through the approach to specification, (selection criteria), award criteria, contract conditions, and performance incentives.
3. Developing a **focused and effective monitoring system** to allow for determination of performance, review and learning.

¹ Incidentally in the commissioning cycle quoted in the green paper there is no mention of options appraisal.

In general the practices that are needed in order to achieve this are to involve stakeholders more, to develop a better understanding of how change occurs, to improve systems for deciding relative importance and making more use of materiality in making judgements. This is because all value is subjective and current systems for accounting for value are undeveloped so basing an assessment of value on existing desk research or analysis by one person, without involving those affected, reinforces a limited understanding of value. We are necessarily in the realms of changing practice which leads to a question of which specific practices would be proportionate to introduce (or develop further) at each of these stages of commissioning in order to achieve better value. The question of what is proportionate is not an easy one to illustrate without examples, it requires judgements and these are not something that commissioners seem so aware that they are making or could improve. **In pursuing this area a much larger programme of work than has previously been supported is required. It needs to work alongside existing approaches and develop guidelines for the proportionate consideration of value at each stage.**

A further paper showing a brief overview of how SROI might apply to the commissioning cycle is attached.

Further considerations

There are some further key supporting or structural issues that must be addressed to facilitate better inclusion of value in commissioning:

- 1) Improved treatment of value as a subject in guidance. The research paper accompanying the public services (social enterprise and social value bill) and the green paper both refer to there being existing recognised good practice and guidance on the application of full social, environmental and economic value into account. However there is guidance on social issues in procurement (which is not the same as considering value in commissioning) and there is a very brief good practice note on SROI in commissioning, which was produced as a very small part of a much larger project. Guidance that local authorities may generally follow includes the CJC standing guide on local authority commissioning and the treatment of value, social issues and other subjects in here differs from central government guidance which tends to have come from a legal and procurement perspective rather than from a service commissioning perspective. A forthcoming guide on the application of SROI to Commissioning through the NPTSC may help but cannot hope to cover all of the ground.
- 2) There must be a mechanism in widespread use (such as a right to propose) by which innovative proposals may be identified and considered outside of any particular commissioning process. Funding for the development of new ways of delivering public services has in the past been too far removed from influencing mainstream commissioning and too much of the onus for changing the system has been placed on the provider.
- 3) Value for money explanations and guidance should be extended to clarify how to deal with value for other stakeholder groups (i.e. not the contracting authority) and also how to deal with value that is not a real change in money (non-cashable savings) in a consistent manner.
- 4) There should be a **duty on public sector employees to co-operate** with each other to achieve best value, considering inputs and value in the round, ending the “DWP gets jobs for free” mentality. This is a very significant barrier to the progress of those proposals that configure

value rather differently from the way it is traditionally approached (e.g. joined up and preventative approaches).

- 5) Assessments of value must be transparent and should be verified to a standard in the same way as the public sector would expect to have to have costs audited. This requires a system for accounting for value based on principles. It is particularly an issue for the development of local health and wellbeing boards and for audit of local government which local government will now commission themselves.
- 6) Systems for capturing the results of improved analysis of value should be developed.

Subquestion: What issues should the government consider in taking forward the public services (social enterprise and social value bill?)

The public services (social enterprise and social value) bill could be strengthened in wording or in guidance given on implementation. In particular:

- Practice and guidance on the relationship between wellbeing and value, what should be considered and how is necessary to flesh out what this means and ensure it is used as proactively as supporters of the bill intend.
- The green paper promotes relevance as a positive thing whereas in the wording used in the bill it could easily be a barrier to hide behind. Before the subject matter of the contract has been decided (at the pre-procurement stage) relevance cannot have been determined since it depends on the results of needs assessments, options appraisals etc. Relevance is a procurement law issue.
- Consultation- "Beneficiaries" should be extended to cover other relevant stakeholders (both positively and negatively impacted)
- Consultation- what stakeholders are to be consulted about, the likely effects in order to determine their nature and relative importance.
- Some duplication of effort may be avoided if impact on equalities is built into this stage.
- Judgements made about these subjects should be documented

Citizen and community involvement

General comment

Citizen and community involvement needs to be seen as part of a shift in how value is viewed, measured and taken account of and not in isolation from it. When promoting involvement of any group in developing commissioning, good practice on understanding and valuing potential change should be drawn on.

For example for LIS's any audit of care needs (if modelled on Turning Point's community care audit for example) should ask questions not just about what's missing and what's needed (or what's failing) but what difference addressing these gaps would make to those affected.

There is a danger that community involvement in commissioning might be seen as an end in itself, the objective should not be to involve as many people as possible but to involve the people most affected in order to better take account of change and value of that change. There needs to be some distinction of subgroups of stakeholders within the relevant communities.

CSOs are undoubtedly in a good place to facilitate access to certain groups, including e.g. those who are the target of services but services find hard to reach but will generally needs some training on developing an understanding of change and value.

Sub-Question: What issues should the government consider in the development of the future programme of training public service commissioners?

A programme of training should include an integrated or mainstreamed approach to maximising value. This should concentrate on providing training to get participants to the next level of a development model for being able to commission for value.