Beyond Big Contracts
Commissioning public services for better outcomes
Dan Crowe, Tom Gash, Henry Kippin
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Foreword

Public services today are in an unprecedented state of flux. Against a backdrop of ever-tighter financial constraints and changes in the volume and nature of demand, we have seen the emergence of new models of paying for and delivering services that mark a departure from previously understood notions of what constitutes public provision. It is not surprising therefore that the future direction of public service reform is set to become an increasingly hot topic as we approach the 2015 General Election.

The challenges facing any government post-2015 will be tremendous. And the debate over how we respond to them is likely to politically charged and highly contentious. Whether that debate is framed as a verdict on the Coalition Government’s ambitious agenda to further open up public service markets – and whether or not it results in a mandate to withdraw from models that seek to encourage diversity in provision – it is vital that the needs of service users and communities are put first and foremost.

Of course, commissioning is supposed to do just that, although precisely how it does is not yet widely understood, let alone implemented successfully. This timely report, produced by Collaborate and the Institute for the Government with the support of the Calouste Gulbenkian Foundation, illustrates there is still much confusion over the theory and practice of commissioning, which is itself undergoing profound and consequential change. The increasingly-complex commissioning environment is generating its own set of challenges and opportunities for commissioners and providers, not least in how to join up services better at a local level and meet user needs in an integrated, holistic, and transformative way that delivers results over the long term.

Commissioning can, and should, be the platform to do this, and put greater power in the hands of communities over decision making in local services. At Turning Point, where I am Chief Executive, we have sought to embed community engagement and influence in our Connected Care approach to understanding local needs and improving local areas and the public services they receive. As commissioning evolves to embrace a greater focus on outcomes, it is only through a deeper understanding of the needs of individuals and communities – including those often labelled ‘hardest to reach’ or facing multiple problems – that commissioners will be able to secure the most appropriate, effective and efficient outcomes.

Co-production and co-creation are the essential, indispensable component parts of what in this report we have called a ‘Commissioning 2.0’ approach. As the report argues, it is not a question of public sector versus private or social sector provision. The issue is about how we commission to obtain the maximum benefit from limited financial resources; to drive accountability and hold providers to account for their performance; and to create space for the sort of risk-taking and innovation needed to achieve improved social outcomes.

This report is a welcome contribution to the debate about how, as a society, we can collectively and collaboratively achieve these objectives.

Lord Victor Adebowale CBE
Chair of Collaborate
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Executive summary

Instead of having to justify why it makes sense to introduce competition as we are now doing with schools and in the NHS, the state will have to justify why it makes sense to run a monopoly.
David Cameron, July 2011, speech on ‘Open Public Services’

It’s a new era – and anyone in the public sector thinking this won’t affect their organisation very much can think again…. This country needs, more than ever, effective commissioners able to deliver better outcomes for citizens and better value for money on ever tighter resources.
Francis Maude, Cabinet Office Minister launching the government’s Commissioning Academy in January 2013

Rather than putting together a support plan for a human being with needs, commissioners are still talking about hours of delivery et cetera…
Provider Survey respondent

In July 2011, David Cameron’s speech on ‘Open Public Services’ set out the principles that underpin the Coalition Government’s reforms of public services. The central themes were greater private and social sector involvement in the delivery of public services, and innovations to drive up public service quality and efficiency through choice, market mechanisms and ‘payment by results’ (PbR) contracting.

This reform agenda is now under considerable scrutiny. Within government, some are frustrated by the slow pace of change – as seen by recent announcements of radical reforms in probation and the courts service. Elsewhere, problems with a number of major contracts – most notably those for electronic tagging – have led some to call for less reliance on non-state providers. Recent research has raised more practical concerns, suggesting that the scale, pace and approach to implementation has sometimes undermined the government’s own goals of increased competition and effectiveness. And it has suggested that some of the most vulnerable people government is seeking to support – those with complex, interrelated needs – are not always being reached.

As the Coalition tries to refine its approach after difficulties with major contracts, this report looks at recent changes in ‘commissioning’ and asks two main questions.

1. What is actually changing on the ground?
   We ask whether outsourcing and ‘payment by results’ are really becoming a new norm for national and local commissioners, whether social sector organisations are really at the heart of reforms, and what results new approaches are producing so far.

2. How ‘ready’ are those who are implementing reforms?
   We ask how far commissioners and managers in private and social sector companies support the changes; how capable they feel of ensuring reforms maintain or improve service standards in a time of declining budgets; and how well prepared they are to work in an increasingly complex social, economic and operational environment.
Using surveys of local and national commissioners, focus groups, existing literature, case studies and expert workshops, we find that there has been considerable change in commissioning in the past three or more years.

We note three trends, none of which are surprising but all of which are significant.

**Shift to outcome-based contracts**

There is a genuine shift to outcome-based contracts nationally and locally and plans are in place to increase the use of ‘payment by results’ contracting in many areas. Moves away from short, process-based contracts are almost universally welcomed. However, commissioners still have doubts about their ability to understand outcomes, to engage the community in this process, and to measure and reward providers’ contributions appropriately – particularly in helping users with severe or complex needs.

Public-service providers are much more likely to be working on ‘outcome-based’ contracts and PbR contracts than three years ago, with 60% of those we surveyed reporting a change in their contracting arrangements with the public sector over the last 12 months.

**Transferring financial risk**

Commissioners are transferring more financial risk onto providers in the hope this will lead to innovation. However, innovation does not currently appear to be a consequence of increased risk transfer. Instead, we found providers concerned about their financial survival are generally unwilling to take on further risks by doing things differently. Social sector providers are especially concerned about these dynamics undermining their ability to innovate through building close relationships with citizens and communities.

Over 80% of providers reported concerns about financial risk from PbR, with most worried about cost recovery in contracts (80%), and access to upfront/working capital (78%).

**Relationships**

Relationships are being broken and reformed. Due to the growth in sub-contracting and provider consortia, public sector commissioners are, in many service areas, becoming less connected to smaller and social sector providers. Social sector organisations meanwhile rely increasingly on winning work from large private sector partners and some depend on these for their survival, creating lopsided partnerships. Major structural reforms in a wide range of public services have weakened relationships across different service areas. Commissioners and providers – both of whom want to see greater collaboration – are only now beginning to forge relationships that might improve service co-ordination in future.

Just under 90% of commissioners say they are using commissioning to encourage social sector organisations to collaborate to deliver services. Almost one-third of providers report an increase in partnership working with similar organisations, with a substantial increase in subcontracting.

We found great diversity in uptake of new commissioning approaches and attitudes towards them in different geographies and service areas. But the Open Public Services agenda is having an impact, not just in central government but locally.
This research found widespread support for the principles underpinning reforms: the focus on outcomes and value for money in particular. However, our research shows there is widespread concern that misapplied contracting tools and techniques linked to the Open Public Services agenda could have perverse consequences, with some concerned that those with the most complex needs would be left behind as a result. There was also frustration that the difficulties and complexities of improving public services via new commissioning approaches are being glossed over.

Our view is that commissioning models are not necessarily fit for purpose…. (and) this could lead to mediocre services rather than continuous improvement.

Public service provider

Social sector organisations are playing an important role in identifying opportunities for more cost effective, innovative responses – but this is proving difficult to do at pace and scale…

Local commissioner

The Institute for Government has made recommendations on structural reforms that might minimise these perverse consequences elsewhere. These include stronger accountability arrangements, and measures to boost competition and improve transparency of provider costs and performance. Collaborate has suggested how the conditions to enable better partnership working might be created, for example by applying the Public Services (Social Value) Act creatively. In this report however, we share the insights of those commissioning and delivering public services themselves. In particular, we highlight the practical steps needed to ensure commissioning delivers better results, and public services are ready to meet the needs of the citizens they serve in future. The following themes are developed further within the report: outcomes; risk and innovation; and relationships.

Outcomes

Invest time in defining desired outcomes, and putting users and communities at the heart of services.

1 Understand the Community

Research participants wanted much greater focus on building insight, understanding communities and managing demand. This would give commissioners deeper insight into community needs, provider methodologies, community assets and resources – and would provide a vital platform for more user-focused commissioning.

2 Co-produce outcomes

Research participants valued inclusive, deliberative processes as a route to involving citizens and communities in defining outcomes, and for holding commissioning processes to account. It was felt that many commissioners still lack the methodologies to do this. But as one member of our expert visioning group argued, “You can’t call it commissioning if co-production isn’t the most important component.”

3 Embed this into public service contracts

There was a call for building more systematic focus on user and community needs into contracts and reward structures, for example, by tracking user satisfaction and rewarding providers who improve it. Bureaucracy tends to proliferate when commissioners and providers aren’t confident they can track providers’ impact. So such steps could also help
achieve the greater simplicity in contract-management processes that both commissioners and providers in our work crave.

**Risk and innovation**

Understand the types of risk taking that are required to innovate and improve outcomes, and ensure they are incentivised.

**4 Balance risk for the social sector**

Research participants recognised the need to avoid excessive transfer of financial risk to smaller providers within PbR contracts. This could be by specifying maximum proportions of payment that is ‘at risk’ if PbR targets are missed; ensuring speedy pay out on interim outcomes; and by demanding transparency on levels of risk transfer across the supply chain.

**5 Create the conditions for flexibility**

Shifting from excessively short annual and two-year contracts to create greater certainty and scope for flexibility allows providers to plan ahead and invest in building capability and improving services. Flexibility is highly valued. Of the front-line workers we surveyed, 86% said the best way of finding out about user needs was to ask citizens directly. And 79% felt they already had ‘some’ or ‘a lot’ of flexibility to do this.

**6 Value innovation outside of the contract**

A key insight, recognised by providers of all types, was that disruptive innovation may be most likely to develop outside the constraints created by contracting. Cost-constrained contracts allow for incremental innovation within specific services but rarely lead to radical innovations to meet multiple outcomes and complex needs. There is a need to overcome the scepticism expressed by one small social sector provider who said, ‘Central government (is) not interested in learning. They are driven by conflicting drivers and in collusion with providers who are driven by their own self-interest.’

**7 Create new investment partnerships**

Research participants felt that collaboration between government and/or a number of major trusts and foundations could allow at-scale experimentation that can transform outcomes. Our visioning workshop participants felt that building these collaborations was an opportunity to improve the co-ordination of innovation spending, and to get more ‘bang for buck’.

**Relationships**

Recognise that it takes time to build trust and true collaborative relationships, and create the policy conditions and governance models to support this.

Commissioners, providers and independent experts all asserted the need for better collaboration and partnership building.

**8 Value social relationships**

It was viewed as important to free up space for social organisations to build strong relationships with people who have complex needs. Over 25% of commissioners we surveyed suggested working with the social sector because they ‘understand vulnerable and excluded service user’s needs’ (the highest single response). The second-highest number valued the social sector’s ‘flexibility’ and ability to build relationships with ‘hard-to-reach groups’.
9 Collaborate to improve outcomes
Research participants, particularly providers of services, called for genuine, outcomes-focused, cross and intra-agency collaborations that share risk and reward integrated working. Providers saw collaboration as offering 'strength in depth', and the ability to 'provide a more comprehensive solution and provision'. Survey results suggested that 95% of providers responding 'would consider collaborating through a consortium or partnership' to bid for future contracts.

10 Use new policy levers for change
Many involved in the research called for optimism and urged all parties not to overplay the constraints to shifting practice. Many commissioners and providers told us to ignore the myths that hinder change, and to use changing EU law and the Public Services (Social Value) Act as new levers.

Some of these steps are reflected in a number of pioneering initiatives. This report includes case studies of Lambeth’s Outcomes Framework for Children and Young People; Cambridgeshire’s commissioning of services for chronically excluded adults; and South Tyneside’s Homelessness Consortium. It is vital that we learn from what is working and we hope that this paper provides some insights and ideas to those involved in commissioning and providing services.

Lessons for government: what next?
A mix of central and local government commissioning with a range of different providers is likely to remain the basis of the next phase of public service delivery. This is still, however, relatively new territory, and there is no single blueprint for 'what works'—especially in commissioning against complex needs for individuals and communities.

We focus on the importance of measuring and rewarding outcomes; sharing risk; and building effective relationships across sectors. But our research also highlighted broad lessons for policymakers, both in terms of the underlying direction and the pace of change. Our data supports the view that the costs and disruption of major public service reforms are often underestimated, particularly when they involve structural reorganisation. Blanket application of specific improvement mechanisms, such as ‘payment by results’, can be damaging if insufficient attention is paid to the service differences or commissioning capabilities and provider capabilities. We heard, for example, suggestions that PbR may be too ‘simplistic’ a payment mechanism to cope with the complexity of needs and outcomes in some cases. Policymakers of all parties must make sure that enthusiasm for new mechanisms and models is not allowed to distract focus from the very citizens and communities these models are designed to serve.

All political parties have expressed both an appetite for social sector organisations to get more involved and an interest in addressing the most complex problems in the most marginalised communities. This report clearly highlights that to achieve these goals, commissioners and providers need time and support. As parties develop manifesto commitments, they will naturally need to bring those implementing reforms with them. Recognising the need for collaboration and interdependency is key. There are thousands of people grappling with the complexity of turning policy ideas into practical improvements for communities and individuals across the country. Only by understanding their frustrations and
enthusiasms, and working with them, will it be possible to develop ideas that will stick and change lives.
Introduction

There is a systemic failure of public services to work with multiple needs in a holistic way. Services can’t or won’t help, clients don’t want help or are hard to help. If we can get it right for them, we can get it right for everyone.¹

Interview, social sector advocacy organisation

2014 will be a significant year in the evolution of public service delivery. On the one hand, it will be a year of implementation. Most of the Coalition Government’s reform agenda will have already reached the statute book and new structures will have been largely established. Clinical Commissioning Groups (CCGs) and Health and Wellbeing Boards are bedding down and beginning to grapple with the issues they face locally. Central government interventions such as the Troubled Families and the Work Programme are well past their start-up phases. And a range of local initiatives are also in delivery mode, particularly in areas like Barnet where big outsourcing deals have just been signed. Only a few major reforms are still not finalised, for example ambitious plans to outsource large parts of the probation service and courts administration.

This year will also be one of preparation. As the anticipated ‘long campaign’ for the 2015 General Election begins to heat up, the economy and the public finances are likely to dominate the debate. But within that context, all parties know they must develop a positive message about how they will ensure that public money is spent wisely, and how they will ensure that public services match the increasingly-high public expectations of citizens and communities. As one recent broadsheet editorial has argued, ‘fundamental questions about the nature of the state…cannot be relegated to the side skirmishes of the election while all the attention is focused on the economy’.²

Austerity in public services is here to stay. The Office for Budget Responsibility tells us that 2018-19 government consumption of goods and services as a share of nominal GDP is forecast to fall to 1948 levels³, with recent policy pronouncements trailing more spending cuts to come. Limited appetite for tax rises means that tough decisions will inevitably be required.⁴ Services currently protected from cuts may end up taking a greater share of expenditure reductions, and all departments will need to meet ambitious savings targets.

The longer-term challenges are potentially even greater. Changing demographics, rising citizen expectations and shifting patterns of social risk are creating demands that fundamentally challenge our public-service-operating models.⁵ Meeting them will require more than an efficiency drive. They portent a fundamental rethink of the way we design, distribute and deliver public services.

¹ Quote from interview with social sector advocacy organisation.
A complex commissioning landscape?
Like governments before it, the Coalition is committed to addressing this profound ‘demand and supply’ problem with an approach that promotes increased private and social sector involvement in the delivery of public services. This, it is argued, is more likely to generate innovative service solutions to the most entrenched social problems, while competitive pressure and user choice can help to control costs and sustain service quality. Despite recent controversy and obvious party political differences in tone, there has been – and remains – remarkable consistency in this approach.

Central government and local commissioners are responding by trying to commission services in new and different ways. Novel approaches have been applied to a wide range of services – employment services, the management of offenders, care for the elderly and support for those with addictions. Central government has championed the use of ‘payment by results’ and the creation of joint ventures and ‘mutuals’. Local government departments have been changing their commissioning approaches. Providers of public services, big and small, have been responding and, in some cases, proactively driving changes.

Despite these shifts however, high-profile failures – including the mismanagement of electronic tagging contracts – have raised questions about how to get the best from partnerships across different sectors. The skills and integrity of some service providers have been questioned. And both commentary and research has cast doubt on the ability of public sector organisations to commission ‘complex’ services effectively, particularly in the context of budget reductions and widespread structural reforms.6

This report
It is in this context that this report asks whether commissioners and providers have the requisite tools, capacity and incentives to ensure that public services are effective today, and can properly adapt to an increasingly ‘complex commissioning environment’ over the long term. The following pages draw from extensive research – surveys of commissioners and providers, interviews, focus groups and case studies of specific innovations – to show how the Government’s agenda is playing out in practice, and how it feels at the coalface of reform. Our research takes a broad view – covering a diverse range of public services including health, care, and services for those with complex needs. We explore what is actually changing, and its effect on public service providers of all types and the users and communities they serve.

Our focus is particularly on commissioners and those dealing with them and managing frontline services. We ask – are these groups ready to work effectively in an increasingly complex policy social, economic and operational environment?

Methodology
This research asks how much commissioning practice is changing, in what ways, and with what effect on public services and outcomes. It focuses particularly on the views of frontline commissioners and service managers about their readiness for complex commissioning arrangements. It does this through a mix of qualitative and quantitative research, overseen

by a steering group of practitioners and subject matter experts. Our methodology includes the following elements.

**Interviews and literature review**
Initial interviews were conducted with steering group members to inform the survey design. This was supplemented by a literature review and desk-based research. Individuals and organisations involved in this process are listed in the endnotes of this report.

**Surveys of commissioners, providers and practitioners**
Two comprehensive surveys were developed for senior commissioners in English local government and the new CCGs, and one for providers, drawn from a specially constructed database that featured a spread of organisational types, turnover, and geographical reach. Surveys were targeted at organisations from the social and private sector working in a range of services: adult social care services for older people, mental health, drug and alcohol, and special educational needs children’s services, and went into the field in autumn 2013. Surveys gleaned 106 responses (40 commissioners and 66 providers). In December 2013 we developed a short, self-selecting survey of frontline workers engaged with service users with multiple, complex problems. The 56 responses provided additional quantitative data on the key areas under investigation.

**In-depth qualitative interviews**
In parallel, our research partner conducted in-depth telephone interviews with senior central government commissioners at the Department for Work and Pensions (DWP) and Ministry of Justice /National Offender Management Service (NOMS).

**Case studies and focus groups**
Three focus groups were held in November 2013: one mixed group of large national providers and commissioners from south east England; one group of smaller social sector providers in London; and a group of local authority commissioners in the north east of England. Participants had the opportunity to talk in detail of their experiences of the commissioning agenda. This helped substantiate the findings and trends from the survey. Three case studies were also developed.

**Visioning workshop**
A deliberative ‘visioning workshop’ brought together policy experts and practitioners drawn from the social and private sectors. Their task was to investigate the long-term implications of the trends arising from the research, test future scenarios and shape the recommendations that we present in this report.
A note on terminology

Social sector

The use of ‘civil society’ and ‘voluntary and community sector’ is currently in vogue, replacing the term ‘third sector’ when referring to non-state and not-for-private-profit actors.\(^7\) We have therefore used the term ‘social sector’ throughout the research to refer to all those organisations occupying the space between the public and private sectors, recognising the inherent limitations of applying a catch-all term to such a diverse range of organisations. The term ‘social sector’ therefore includes voluntary and community organisations, charities, social enterprises, co-operatives and mutuals.

Commissioning

Much uncertainty exists over distinctions between commissioning and associated terms such as ‘procurement’, ‘purchasing’ and ‘contracting’. There is no single, over-arching, approved government definition of ‘commissioning’.

The Office of Government Commerce defines it as “where the public sector decides the services or service outcomes (e.g. in adult social care or children’s services) or the products that it needs, acquires them, and makes sure that they meet requirements”.\(^8\)

A definition endorsed by the current and 1997-2010 governments states, “Commissioning is the cycle of assessing the needs of people in an area, designing and then achieving appropriate outcomes. The service may be delivered by the public, private or civil society sectors.”\(^9\)

For the purposes of this report, commissioning is perceived as an ongoing, cyclical process tasked with identifying the best route to achieving specific outcomes from a range of inputs, or resources.

Complex Commissioning

The term ‘complex commissioning’ signifies a number of changes to the commissioning environment, driven by real social, economic and operational shifts. First and most importantly, the term refers to the emergence of collaborative arrangements that respond more effectively to a range of interrelated user needs – thinking across service boundaries to address the root causes of demand, such as family breakdown. Profiles of Cambridgeshire, South Tyneside and the Troubled Families initiative in this report illustrate this approach.

Complexity in contracting and payment models are, to a large extent, the consequence of this trend – with front-line integration, budget pooling and consortia building necessary to address multiple needs in a holistic way. Doing this during a period of austerity – during which policymakers have attempted to control costs via mechanisms such as PbR – has added another layer of complexity to rapidly evolving commissioning practice.

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\(^7\) The importance of terminology can be seen when seeking to analyse the size of the sector. NCVO’s 2012 Civil Society Almanac estimates that there are around 900,000 organisations with an annual combined income of £170.4 billion, controlling assets valued at £229 billion. This includes employee-owned businesses such as the John Lewis Partnership, universities and co-operatives. NCVO’s 2013 almanac focuses on the ‘voluntary sector,’ comprising of 162,177 voluntary organisations, over half of which are micro-organisations with an income of less than £10,000, compared to 0.3% of the sector comprised of 507 major organisations with multi-million pound turnovers that generate 47% of its income.


\(^9\) As used in the Modernising Commissioning Green Paper 2011.
Figure 1: Graphical representation of a commissioning cycle

The context for reform

A changing public-services landscape
In its *Programme for Government*, the Coalition signalled its intention to radically reform public services in a way that has had significant repercussions for the public sector, independent providers and service users alike. Implementation of the Government’s reform agenda has accelerated and deepened the breadth, depth, and scope of trends that began under the previous administration and cover a range of service sectors.

The 2011 Open Public Services White Paper emphasises principles of choice and control; decentralisation; a focus of resources on the most ‘disadvantaged’; and responsiveness and accountability. All of these can be seen to varying degrees throughout the Government’s reform programme. At the heart of this programme is a willingness to encourage diversity of public service provision with ‘any qualified provider’ competing for contracts, and a shift towards results-based mechanisms designed to reward successful performance and improved social outcomes.\(^{12}\)

<table>
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<tr>
<th>Key government reforms</th>
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<tr>
<td><strong>Families and children</strong></td>
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<tr>
<td>The Coalition promised “a new approach to helping families with multiple problems” by investigating “ways of ensuring that providers are paid in part by the results they achieve”.</td>
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<tr>
<td><strong>Jobs and welfare</strong></td>
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<td>Provision would “realign contracts with welfare-to-work service providers to reflect more closely the results they achieve in getting people back into work” with a reformed funding mechanism reflecting “the fact that initial investment delivers later savings through lower benefit expenditure... with outcome funding based upon the DEL/AME switch”.(^{13})</td>
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<td><strong>Justice</strong></td>
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<td>The Justice system would see “a rehabilitation revolution” that will pay independent providers to reduce reoffending, paid for by the savings this new approach would generate within the criminal justice system.</td>
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<tr>
<td><strong>Public health</strong></td>
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<tr>
<td>There would be a greater focus on preventative work and greater use of payment by health outcomes achieved.</td>
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\(^{13}\) Departmental Expenditure Limits (DEL) is controlled spending money that has been allocated to departmental budgets. Annually Managed Expenditure (AME) fluctuates in response to events and circumstances, e.g. economic performance, and includes welfare spending and debt interest payments.
Choice, competition and the vision of an effective public services ‘market’ have driven many of the policy and structural changes we are seeing in public services. The creation of quasi-markets is designed to create competition between organisations and enable user choice—aligning public goods more efficiently around the choices of citizens (or consumers), and addressing the inefficiencies of a monopolistic and producer-led public sector. As Professor Carol Propper has noted, this is a logic transposed from the private to the public sector: “Giving purchasers or users the ability to choose applies competitive pressure to (public service) providers and, analogously with private markets, they will raise their game to attract business.”

Market forces in public services remain controversial. Polling firm Ipsos MORI consistently finds that people care less about the provider than the service, but the public are nonetheless suspicious of the profit motive in public service delivery. High-profile provider failures (such as in the security sector) have amplified concerns over accountability, employment conditions, service quality and the viability of a public service ethos. Opponents of the Open Public Services approach have thus argued that we are simply seeing a continuation of the past push for privatisation and outsourcing. They point to recent high-profile scandals, service failures and fraud allegations about the efficacy of wholesale externalisation.

The UK public service market is substantial. According to the National Audit Office (NAO), estimated total public sector spending on goods and services is £187 billion. The size of the UK outsourcing market in public services is estimated to have a turnover of £72 billion (out of a total public and private sector outsourcing market of just under £199 billion). The NAO estimates that contracting out accounts for around half of the £187 billion spent by the public sector on goods and services.

Some critics have argued that this growth has created a ‘shadow state’, with much of the public services market dominated by large, multi-national corporations, creating a de facto oligopoly. Nationally, this is visible in the use of ‘prime and sub-contractor’ models of service provision. Locally it found early expression in the concept of an ‘enabling council’ which, taken to its logical conclusion, would meet once a year to award service contracts to external providers. Reincarnated and popularised as an ‘easycouncil’ approach, in recent years this has come to be wrongly characterised as services provided as a result of a move to a commissioning process, leading some to see commissioning exercises as synonymous with privatisation. As the following section will show, the reality is much more nuanced.

This report focuses on what we call ‘complex commissioning’ – in recognition of the growing importance of – and increasingly multi-faceted nature of – the ‘analyse, plan, do and review sequence’ that is seen to frame the design and delivery of public services. From the blunt instrument of Compulsory Competitive Tendering (CCT) through to ‘best value’ regimes, ‘world class’ commissioning frameworks and, most recently, a focus on social value, commissioning has been the vehicle through which government has sought to improve the way public agencies identify need and demand; design service responses; procure effectively; and account for performance.

Much of the evolving narrative around commissioning has been consistent, with a core focus on controlling costs through creating purchaser-provider splits (for example in healthcare); the deliberate embedding of competitive pressure; and encouragement of ‘innovation’ as a signifier for bringing non-state actors into the delivery mix. More recently, the Best Value regime and (lately) the Public Services (Social Value) Act have attempted to broaden this focus with attention to the wider social, economic and environmental implications of commissioning and procurement processes. Pressure to improve and ‘modernise’ commissioning through this period has been, and remains, considerable.

At the moment there are still too many authorities and public bodies and government departments where commissioning approaches remain unimaginative, too focused on process and too risk averse.

Francis Maude, speaking at the launch of the Commissioning Academy²¹

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We are fortunate to be working with some skilled and capable commissioners in our borough. We know, however, that this is by no means commonplace and that concerns about the quality of commissioners is widespread.

Public Service Provider Survey respondent

A broader ‘values’ focus has evolved in tandem with a shift towards commissioning for outcomes. This was pioneered by the previous Labour government (in its 2004 Every Child Matters agenda and in the Flexible New Deal, for example), but has been continued with enthusiasm by the present government. Though attractive in principle, focusing on outcomes has been a challenge for the public sector, which has traditionally managed service provision on the basis of inputs (i.e. paying for the delivery of a service), and outputs (which focus on the successful delivery of services, rather than the outcome arising as a result). However – despite obvious difficulties over measurement, attribution and the changes in public management that focusing on outcomes implies – the agenda has developed substantially and, as our following pages will show, is now a common feature of public-service delivery processes countrywide.22

The value of thinking about outcomes is that it injects an element of challenge into assumptions that have always existed around services.

Expert practitioner

The acceptance of outcomes-based commissioning has given rise to a number of new and ambitious approaches, including alignment of payment around outcomes via payment by results mechanisms. This is an approach which has arguably reached its apotheosis in the Work Programme and Transforming Rehabilitation agendas, currently being pursued by the DWP and the MoJ respectively. Policymakers are increasingly seeking to address traditionally ‘wicked’ and complex social issues by incentivising providers to innovate and collaborate across traditional sector boundaries. These providers are then remunerated in part on the basis of outcomes achieved.

This is a bold agenda, which has enjoyed a good deal of support from policymakers and practitioners across the political spectrum, who have been frustrated with the way that traditional service boundaries and existing practice haves cut against efforts to deliver holistic services to citizens and communities. This support has ebbed away following recent controversies and obvious service failures, and important questions have been thrown up about the role of the state in understanding and shaping the public service market.

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22 As well as outcome-based commissioning, the study found that outcomes have been incorporated across the public sector using a number of methods. These can be summarised as outcome-based accountability – as developed through local area agreements and the former National Indicator Set – and outcome-based procurement, achieved in practice through outcome-based contracting. These methods seek to underpin the relationship between commissioners and providers in a contracting regime whereby payments are made by the former to the latter, on the condition that specified results are achieved – or in other words, PbR. Two main concerns raised by the use of this model relate to the possible shrinkage of the market through potential providers being deterred from entering, and the more onerous contract and relationship management required, particularly when dealing with failing providers. A further model identified, outcome-based delivery, points to a future growth area for commissioning, involving as it does co-production, where outcomes play a bigger role in the delivery of the service through the involvement of service users.
The emergence of complex commissioning models – troubled families

The three-year, £448 million Troubled Families Programme (TPF) is designed to support a change in the behaviour and life chances of 120,000 chaotic households in England. These families are estimated to cost the taxpayer £9 billion per year in reactive services and targeted spending.

Evidence supports the rationale for co-ordinated, multi-disciplinary and targeted work with families. Evaluation of 20 such projects identified a return of £8 of savings per £1 spent, with the average cost of a successful closed case costing £35,000 against £280,000 savings from prevented expenditure over five years.23

The TFP aims to replicate this success on a far bigger scale, using a payment by results element to reward providers for integrated working against identified outcomes. Yet concerns have been voiced as to the relationship between the complex needs of these families, their underlying causes, and the mechanisms to trigger payment for providers.

The pioneering Dundee Families Project between 1999 and 2001 illustrated the complexity, uniqueness and inter-relation of the ranges of behaviour contributing to, or resulting from, a family’s situation.24 An intensive, ‘whole-family’ approach was key to its success, with personalised support and effective collaboration across agencies.

Troubled Families is a key marker for the effectiveness of results-based commissioning against complex social needs. Yet interim evaluation from the National Audit Office suggests that the programme will need sustained investment, better co-ordination and an evidence base for what works.25 Many of these issues are reflected in our findings below.

Commissioning and the role of the social sector

The role and contribution of social sector organisations in delivering services to the public has been an important part of the public service reform narrative for successive governments.26 It is an explicit focus of this report, and the research that follows. The Coalition has been clear in its enthusiasm.

The innovation and enthusiasm of civil society is essential in tackling the social, economic and political challenges that the UK faces today... [We will] support the creation and expansion of mutual, co-operatives, charities and social enterprises, and enable these groups to have a much greater involvement in the running of public services.27

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Greater scope for the social sector was initially seen through the policy lens of the Big Society, with opportunities for opening up public services sitting alongside its other component parts: empowering communities and promoting social action through volunteering and philanthropy; supported by other measures driven by the Office for Civil Society in the Cabinet Office; the appointment of a Crown Representative for the ‘voluntary, community and social enterprise’ (VCSE) sector; and a renewed Compact.

The social sector itself has long championed its virtues of independence, social mission and a closeness to citizens and communities that can bring about social change in ways the state cannot. Yet the sector is also coming to terms with a shift in the political narrative – from a Labour government that did much to build institutional capacity and capitalise what it called the ‘third’ sector, but never got beyond the paradigm of top-down delivery; to a Coalition government that ‘gets’ the need to open up and innovate, but has sought to encourage this at the same time as implementing harsh public spending cuts with a visible knock-on effect. It is partly in response to this context that concerns about the viability and independence of the sector (and its campaigning and advocacy roles) have been voiced.

All sorts of things need to happen to get to the stage where we can deliver better services. We need better strategic priorities, better thinking around delivery partners, and we need to put it out in a way that the social sector can bid for it.

Senior social sector leader

Our own survey research, (see Figure 3) supports existing evidence that public service commissioners value the sector’s ability to understand hard-to-reach users; their “unique way of delivering services” and “good understanding of local needs to contribute to needs analysis, service design and setting priority outcomes”.


29 Under the previous Labour administration, government spending on the social sector doubled to a total of £11 billion a year by 2009. NCVO almanacs reported a reduction in grant funding accompanied by a significant rise in income from statutory sources through contracts and fees, now representing 79% of income from the state. For 2010-11 the 2013 Almanac found the ‘voluntary sector’ provided 5.6% of the goods and services procured by central government and 9% of those from local government – up from 5.3% and 8.8% the previous year and worth £4.6 billion and £6.1 billion respectively. It also found that the sector received £3 billion in government grants and subsidies, 4.4% of the total £68.4 billion.


Social sector providers see commissioning as bringing a number of opportunities for their organisation, the single greatest being putting their mission, knowledge and experience into practice (Figure 4). This reflects not only an emphasis on organisational self-interest but also through application of their key strengths in meeting the needs of service users and communities. However, responses vary according to organisational size: for larger organisations, putting mission into practice is the most important, while smaller organisations report financial stability as being most significant.

To what extent does public sector commissioning/contracting provide the following opportunities for your organisation currently? (50/66 – 76% response rate)
Barriers faced by the social sector
The benefits of working with social sector organisations remain largely academic should those organisations be unable to compete for, and win, contracts in the emerging new public sector markets. Barriers to market entry for social sector providers have been well documented, with much research and commentary highly critical of many aspects of the new commissioning regimes. This is reinforced by our research.

This represents the last throw of the dice for smaller social sector organisations. They are getting involved without understanding the risks, don’t have the financial back-up to meet the bill if things go wrong, and haven’t got the monitoring and evaluation data.

Major social sector funder and advocacy organisations
Concerns from the sector are typified by the Social Enterprise Coalition’s submission to the Government’s Modernising Commissioning Green Paper on how to open up the opportunities for social sector organisations. They point to a risk-averse public sector with “immature commissioning capabilities”, that is concerned with seeking “safe commissioning” rather than embracing a focus on outcomes; inaccessible and bureaucratic procurement processes; problems with PbR regimes (which will be addressed below); and the application of full EU procurement rules which are deemed “disadvantageous to small organisations”.

Government recognises the need for action, and acknowledges we are at “an early stage of a very challenging journey”. A range of actions, programmes, initiatives and funds illustrate this. These include removing the need for pre-qualification questionnaires for smaller organisations; the Commissioning Academy’s ‘masterclass’ workshops for civil society organisations; the £20 million Social Outcomes Fund; and the MoJ’s £275 million National Offender Management Service Co-Financing Organisation programme, which is funded by the EU Social Fund Technical Assistance to develop social enterprise consortia.

But the overall effect has been somewhat mixed and as a result, social sector organisations still face considerable barriers. Evidence from the US and recent experience of PbR-based contracts suggest that larger organisations – with greater skills, capacity and resources to draw on – come out as the bigger winners. This has serious implications for smaller organisations, whether they are the SMEs to whom government aspires to channel 25% of its spend on goods and services, or the smaller social sector organisations who are often closest and most responsive to user needs and local communities.

There is a sense that smaller social sector organisations are being screwed on contracts, with the cherry picking of easier clients and more complex needs left behind.

Social sector leader
Perhaps it is unrealistic to expect a level playing field to be achieved. The House of Commons Public Accounts Committee (PAC) noted, “There will always be significant disparities ... [with counterparts in other sectors] not least in financial terms.” Recognising the small scale of the social sector’s involvement, the PAC called for a “vigorous mixed economy of provision”, arguing for the removal of barriers to participation.

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Three emerging trends

A quiet complicity may exist that the most vulnerable aren't going to be reached.

Provider in a focus group

It is clear from our research that the commissioning environment faced by commissioners, providers and frontline workers is undergoing considerable change. For example, over the last 12 months, 60% of providers reported a change in their contracting relationships with public sector organisations. At first glance, providers seem to be doing well from these changes, receiving funding from more types of public sector commissioners in a wider range of service areas.

Figure 5: Providers are receiving funding from the public sector in a wider range of service areas

Have you in the past/are you currently receiving public sector funding to provide services in any of the following areas? (55/66 - 83% response rate)

Figure 6: Providers are also receiving funding from more types of public sector commissioners

What public sector bodies have you/do you currently receive public sector funding from? (55/66 - 83% response rate)
Among commissioners, there have been big shifts over the past three years in the use of commissioning processes for both externally provided services and all public services.

- Only one public sector organisation surveyed does not currently use commissioning processes, down from eight who did not commission three years ago.
- Only 14% of front-line workers thought there had been not much/very little or no change in terms of a move towards outcome-based commissioning.
- Commissioners have a history of working closely with the social sector, and going forwards, commissioners mainly expect to see a slight increase in social sector commissioning.

Figure 7: Commissioners see a switch to a comprehensive commissioning process

Which of the following statements best describes your organisation’s approach to commissioning now, three years ago, and anticipated (e.g. within the next two years) to move towards (e.g. within the next year)? (31/40 = 78% response rate)

However we also found that less has changed on the ground than some rhetoric would suggest. In particular, ‘payment by outcomes’ remains unusual at a local level, due to genuine questions about its applicability to more complex services and the disproportionate costs of designing and monitoring PbR in small contracts.

Our research findings coalesce around three important, distinctive, interrelated trends. They are drawn from organisations and individuals who are already working within an increasingly complex environment: from commissioners, providers and experts for whom the future policy and practice of commissioning is of fundamental importance.
**Trend 1: Measurement**

Trying to understand why a population acts or responds the way it does is key [to understanding outcomes]

Commissioner in focus group

Headline findings

Both commissioners and providers told us of a clear trend towards outcome-based commissioning, particularly using payment-by-results elements. This trend is not happening as fast as received wisdom might suggest, with output-based contracts still the dominant commissioning model. But the trend is nevertheless pronounced, and set to accelerate further with local commissioners anticipating increased use following the lead set by central government through the Work Programme and Transforming Rehabilitation programme.

The proportion of service provider income dependent on PbR elements is increasing. Provider incentives and rewards are likely to be increasingly tied to achieving specified outcomes or their proxies, despite a reported confusion and lack of clarity as to how outcomes might be defined and understood. As such, outcome-based commissioning does not always lead to a focus on meaningful outcomes that relate to user needs, particularly in cases of multiple, complex needs.

Participants in all three focus groups recognised the trend towards outcomes-based commissioning, but questioned what it meant in practice.

When asked, “To what extent do you feel there has been a move to outcomes-based commissioning?” a combined total of 81% of front-line workers surveyed thought that there had been “some” (45%) or “a lot” (36%).

A total of 66% of respondents to the survey of frontline workers were clear about what they thought best summarised the term “outcome” – with 37.5% replying “the aim or objective we are trying to achieve” and 28.6% saying “a state of well-being related to user needs”. This is in contrast to a less well-defined idea of outputs, inputs and activities.

Commissioner and provider surveys show a clear shift from 2010 to today in the commissioning landscape, and a significant movement towards the use of more outcomes-based contracts. This trend is most advanced nationally, where the Work Programme and NOMS Transforming Rehabilitation agenda has driven the adoption of PbR mechanisms. Locally, the picture is more mixed (Figure 8): although the biggest increase has been in outcome-based contracts not using PbR, there has also been an increase in output-based contracts which remains the most prevalent commissioning model. This has been accompanied by a big fall in the use of grants with service level agreements, with further decline for this model and for spend-based contracts anticipated over the next two years. Where the centre leads in public policy, the rest of the country often follows, and our survey points to an anticipated growth in the local use of PbR elements in outcome-based contracts.
Commissioners report a clear change in commissioning towards more outcome-based contracts, with anticipated use of PbR elements.

Survey of Commissioners: Which of the following types of contract did/do/will you use regularly three years ago, now and (anticipated) two years from now? (31/40 = 78% response rate)

The survey highlights the predominance of output-based contracts as currently the most common commissioning model and the move away from spend-based contracts. However, the biggest increase can be seen in the use of outcome-based contracts that include PbR, which perhaps reflects central government’s emphasis on PbR mechanisms. Furthermore, the proportion of provider income dependent on PbR elements of contracts is also growing, pointing to increased future reliance on achieving the outcomes specified in order to be compensated for the cost of services and interventions delivered.

A good example of a successful move to outcome-based contracts is Lambeth Council’s Outcomes Framework for Children and Young People. A case study, outlining how Lambeth used this to shift towards a co-operative commissioning programme, is available in Appendix 1, on page 60.
Figure 9: Providers report biggest increase in outcomes-based contracts, including with PbR.

Survey of providers: Reflecting on your contracts now and three years ago, what targets/standards are used in contracts (including service level agreements) most commonly? (55/66 – 82% response rate)
**Trend 2: Risk and innovation**

The challenge is that often we set off on a path with various interventions... [we] can be down the road and spend a lot of money without knowing if we’re being successful and whether to decommission.

Commissioner in focus group

**Headline findings**

There are widespread misunderstandings around risk and innovation. Constrained public finances and reductions in the budget envelope available to commissioners has fuelled the growth of contracting models that seek to transfer responsibility for innovation – and thus risk – to providers. Financial risks remain the main concern for providers, with some companies able to cherry-pick opportunities, leaving commissioners with few options available to them. On the other hand, most commissioners are not concerned about social sector delivery capability, but are much more worried about their capacity to handle a complex commercial process, and take and manage financial risks.

Without risk there can be no innovation, but paradoxically the squeeze on finances appears to be limiting the sort of radical innovation needed to solve complex social problems and meet user needs. This is compounded by finance requirements that can exclude social sector providers from competing in public service markets, withholding innovative capacity that can meet public outcomes.

Commissioners in the focus groups did *not* see an inherent contradiction in reduced cost and improved quality both being drivers for outcome-based commissioning.

For providers in one focus group, too much of an emphasis on price was considered incompatible with achieving quality outcomes: a ‘cult of cost’ may make it impossible to reach the most vulnerable groups, who need more time from providers to address complex needs.

A total of 78.5% front-line workers responding to the survey felt that they had “some” (41%) and “a lot” (37.5%) of flexibility in their contracts when responding to or addressing individual user needs. This suggests scope for innovation.
Figure 10: The main concerns of providers are around financial risks

To what extent does your organisation experience the following challenges when bidding for and delivering public sector contracts? (50/66 – 76% response rate)
For central government commissioners, the transfer of risk to providers was posited as the key driver of moves to new commissioning arrangements. This unalloyed account contrasts with the views of local commissioners, who stated the main drivers for change as a desire to improve outcomes and encourage innovation, as well as to become more cost effective and reduce public spending. Transference of risk came far lower down on the reasons for change. This tension between the two sets of outcomes is palpable but remains unacknowledged. Innovation, such as via service redesign, can only come through risk taking behaviour, which inherently involves the possibility of failure as well as reward.

The word innovate is over-used. What you’re doing is incentivising risk taking, and you need to get the risk-reward relationship right…

Many myths exist around risk – the public sector always has to bear it. If risk can be taken for banks, why not for relatively smaller amounts?

Debate from steering group

With the state perceived to be divesting itself of risk – and thus responsibility for innovation – under the new commissioning arrangements, research participants questioned whether the logic of existing financial reward structures is sufficiently geared to adequately compensate for the sort of risk-taking behaviour that underpin PbR and outcome-focused models. Lower values of contracts, together with inherent uncertainty over payments is seen to militate against some (particularly smaller) providers, those from the social sector, and those with a specialised or local focus. This shifting of more risk to providers may restrict their ability to innovate and create new interventions designed to meet user need.

Government is seeking higher performance for lower payments – [with] increases in PbR [posing] greater financial risk to delivery agencies from cashflow. Local government is increasing procurement but [feels] less professional and competent.

Public service provider

For those local and specialist organisations – which were felt to be the most innovative and able to reach the more vulnerable and traditionally harder-to-reach-or-treat parts of the community – such a regime may act as a deterrent to bidding for service contracts, depriving commissioners of the innovation that they seek. For others, failure to meet outcomes (or proxy targets) as a result of risk-taking behaviour and the pursuit of innovation was felt to represent a threat to financial stability or prompt an existential crisis. This means that innovation is actually being disincentivised, with a default position of ‘playing it safe’ and ‘doing what has been done before’ promising a better bet at generating a return.
Survey of commissioners: If you have changed your commissioning approach and/or level of external commissioning over the last three years, what have been the major drivers for this change? (31/40 = 78% response rate)

However, Cambridgeshire’s Chronically Excluded Adult (CEA) Service obtained strategic and operational buy-in by bringing together the right people and agencies to join up front-line working. A case study on this is available in Appendix 2, page 63.
Trend 3: Relationships
Some commissioners are uncomfortable having the social sector as a provider and as an advocate... they do consult the social sector, but often ineffectively.

Provider in a focus group

Headline findings
Structural changes are beginning to fracture and break existing relationships between commissioners, providers and service users. The development of multi-tiered supply chains, such as the prime and sub-contractor model, has meant that new relationships are being forged, built around contractual arrangements and commercial obligation. This increasing distance between commissioners and end-users and communities threatens to undermine a range of vital relationships and genuine cross-sector collaboration, making it more difficult to meet complex community and user needs. Commissioners, providers and service users and communities will need to find ways of reducing this distance.

Among providers, the development of consortia arrangements has been the primary response to government’s emerging preference to outsource responsibility for the delivery of whole packages of complex services, limiting the public sector’s role in supply chain management. There are greater levels of collaboration among providers to bid for and deliver public services. This is being encouraged by local commissioners, who expect to see a modest increasing in their commissioning arrangements with social sector providers. However, some social sector providers are finding themselves coerced by the new commissioning environment into relationships that they would otherwise not have countenanced.

All three focus groups stressed the importance of a collaborative relationship between commissioners and providers for sharing intelligence on user needs, identifying individual service outcomes, and developing measures and monitoring arrangements.

Of respondents to the provider survey, 95% would consider collaborating through a consortium or partnership for bidding for public sector contracts in the future.

When asked the best way to find out about service-user needs, around a third of front-line workers believed it was “asking current users directly” and a third thought it was “through consultation with social sector organisations”.

Three in five providers reported a change in their contracting relationship with public sector organisations over the previous 12 months (September 2012–August 2013). The main changes included a focus on outcomes in terms of PbR models, with an increase in contract management and scrutiny, and subsequently, a more distant or formal relationship between providers and commissioners. In telephone interviews, central government commissioners described how they are now further from social sector providers, due to the management of supply chains by the primes, mostly comprised of private sector companies.

We are seeing a shift from funding for small-scale local charities with grants to deliver what they want, towards commissioning a range of third sector organisations to deliver outcomes we have specified.

Commissioner survey response

Providers survey: Over the last 12 months, would you say there has been any change in your contracting relationships with public sector organisations? (55/66 – 82% response rate).
The new commissioning environment also appears to be changing relationships between providers. Our survey shows that when bidding for and delivering public sector contracts, collaboration among providers is on the increase. This is expressed primarily through working in partnership with other organisations from the same sector, although the biggest increase is in providers acting as a sub-contractor to an organisation in the same or another sector. This form of contractual collaboration is fast becoming a necessity for those in the social sector that want to play a part in delivering services under the new supply chain model of service delivery.

Figure 11: Collaboration among providers has increased, most noticeably as a sub-contractor

Does your organisation use commissioning to encourage social sector organisations to collaborate to deliver public services? (27/40 = 68% response rate)

Collaboration is being actively promoted by local commissioners, both by encouraging social sector organisations to form consortia to bid for and deliver contracts, and supporting better relationships more generally between the public, private and social sectors. The seeming growth in support for collaborative arrangements signals a positive response to the structural changes driven by changes in the policy framework, though the longer-term consequences of these changing relationships remains uncertain.
Does your organisation use commissioning to encourage social sector organisations to deliver public services? (27/40 = 60% response rate)

South Tyneside Council recognised that its traditional commissioning arrangements were too rigid and inflexible to cope with rising levels of repeat homelessness in young people. A case study on how South Tyneside used a consortium approach to commission services is available in Appendix 3, page 66.

Opportunities

Measurement

Question: “What do you think best summarises the term ‘outcome’?”
Answer: “What the service user values.”

Written answer in text box in response to ‘other’ option in survey of frontline workers

Research participants felt that putting outcomes at the centre of public service design was a fundamental break from what they saw as traditional modes of service provision – that is, specifying inputs and spend, or outputs and activities; and focusing on processes. Many recognised the benefits of a more holistic approach that could enable more integrated working around citizens.

Commissioners felt that focusing on outcomes was an important and underdeveloped part of the commissioning process, and should be carried out across services, agencies and organisations, including the social sector. Some pointed to the potential for a genuinely ‘whole-place’ approach to commissioning, with potential to better harness the skills, experience and capacity of social sector organisations to devise new and innovative services that are more closely aligned with user and community needs. The proportion and value of contracts delivered by the social sector has increased over the last three years. The continued shift to outcomes-based commissioning is an opportunity for social sector providers.
To what extent has your organisation’s procurement of public services from the social sector changed over the last three years in terms of the following? (22/40 = 55% response rate)

**Figure 13: Increase in outcomes based contracts and proportion and value of contracts delivered by the social sector**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Increased significantly</th>
<th>Increased slightly</th>
<th>About the same</th>
<th>Decreased slightly</th>
<th>Decreased significantly</th>
<th>Don’t know/not sure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of contract/Performance monitoring</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Outcomes based contracts with over 2/3 PBR</td>
<td>1</td>
<td>11</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcomes based contracts with 1/3 to 2/3 PBR</td>
<td>1</td>
<td>11</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcomes based contracts with up to 1/3 PBR</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcomes based contracts, not using PBR</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>1</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Average length of contract</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average value of individual contracts</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of contracts delivered by the social sector</td>
<td>5</td>
<td>6</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Proportion of contracts delivered by social sector</td>
<td>9</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

There is some understanding (locally) of the complexity of people and place, and the need to focus on multiple outcomes. Others – national commissioners – are still narrowly focused on siloed outputs.

**Commissioner Survey response**

All three of our focus groups strongly agreed that outcomes for the service areas included in this research should “start with the individual”, as well as represent the achievement of a realistic outcome from that person’s perspective or capability. We heard that in-depth user consultation and engagement is required to identify and understand needs – what experts in our visioning workshop described as a “genuine, personalised outcomes-focused approach, co-designed with meaningful, qualitative input by users”. It was also clear that this in-depth engagement is still the exception, not the norm.

It was suggested that further insight into user needs, assets and networks is the only way to properly address the complex social problems faced by communities. It was also thought to be the best way to drive down the long-term costs of the “symptoms and consequences” of issues that arise when root causes aren’t addressed. Practitioners felt sufficient funding or payment must be allocated to this, and that contracts and payment mechanisms should be aligned accordingly. Several participants argued that current arrangements fall short of this goal.

**Commissioners should start with understanding need. By understanding need, you also understand the drivers of demand.**

**Visioning workshop participant**

The commissioner’s job is to understand the community. But shifting organisational focus will require a whole system change.

**Steering group participant**
To what extent has your involvement been effective in influencing the following stages of the commissioning cycle: (55/66 - 83% response rate)

Commissioners also felt that the commissioning process was an opportunity to use contract monitoring for improving outcomes. One survey respondent said: “A combination of monitoring reports and service review are analysed to understand trends and issues that impact on people who receive services. This analysis may lead to working with an individual provider to improve their practices and processes, or to inform the wider development of service outcomes for new services.”

Some organisations reported using various models or frameworks, or developing their own ‘in house tool’ to monitor, collate and review outcomes.

Most organisations described a process where reports were received at regular intervals, and these results were compared to pre-agreed measures and outcomes through “triangulation with referral patterns”, “deferred clinical audits of outlying areas and trends analysis” or “reference to regional and national performance measures to assess improvement”.

In some cases the commissioning board would carry out these reviews. Or an external “academic evaluation of outcomes” may be commissioned to “revise specification and agreed outcomes”. The analysis of monitoring reports would be used as a basis.

Survey and focus group work indicated that commissioners moving towards comprehensive commissioning processes expect to see an increase in contracting with the social sector. We heard that social sector providers feel they are influential in engaging with target groups and in prioritising outcomes. They value the freedom and flexibility to specify outcomes and ideas on how best to meet them. However, some pointed to the obvious difficulties (and potentially-costly nature) of scaling co-production and personalised responses in a context of severe financial pressure.
Commissioners pointed to a number of tools they can use to ensure that outcomes feature in their contracting arrangements, and that service users are involved in defining measures of value in contracts. For example, demand reduction and user satisfaction can be included as key criteria in re-contracting decisions – with the use of break-clauses if satisfaction falls below certain levels, or no re-compete clauses for providers with the most satisfied service users. As a recent Collaborate and Transition Report notes, embedding “what the community value” into public service design and delivery should be fundamental. And we are seeing examples – such as from Lambeth Council, profiled below – of techniques to do this in practice.

Risk and innovation

A lot of services currently being provided would have been seen years ago... We need to question what is the purpose of the service.

Commissioner in a focus group

Commissioners were clear that the main advantages of the new commissioning environment are the reduction of costs, transfer of risks and simplification of contracts. This is perhaps unsurprising. In an austerity environment with constant pressure to keep a lid on costs, the ability to transfer responsibility for risk and innovation further down the supply chain was seen as attractive. In practice, it means paying to delegate the management of that supply chain, and paying for services in full only when agreed outcomes are met. Smaller social sector providers are more cautious of this approach. They want to be free to innovate because they feel they have a lot to contribute to achieving improved outcomes, but they need the right conditions. More flexible contract and payment regimes could encourage these smaller social sector providers to be more innovative.

If commissioners want to build the capacity of local organisations and give users a better experience, then they need to change. They are far too process driven and lack imagination often to the detriment of their beneficiaries...

Social sector service provider survey response

In the mixed focus group, commissioners and national social sector providers felt a twin focus on improving the quality of outcomes and reducing costs was possible. They felt this could be achieved through a collaborative, cross-cutting and user-focused approach to commissioning that uses resources cost-effectively on services that are most likely to meet agreed outcomes. Not only might this make it more likely to “get things right first time,” but it would also enable commissioners to decommission existing services that were underperforming. An improved quality of services could be achieved at a reduced cost if such an approach were taken by a range of public sector organisations in collaboration with the social sector across a local area, by pooling budgets and integrating service delivery to achieve complex outcomes. Working across boundaries also raises the potential for making savings and reducing demand on services by taking a preventative approach, such as in children’s services or adult social care. This enables commissioners to get a grip on the future costs of acute, intensive or reactive interventions.

Collaboration brings additional capacity, specialist skills and idea exchange, but retains independence....I would never sub-contract with a government prime contractor as they appear money driven and not socially driven.

Social sector provider, survey response
Real opportunities in risk and innovation do not come from supply chains and payment mechanisms that reward providers for innovation. They come from systemic change in how public sector organisations pool their resources and funding, and how they work with social sector organisations and communities to commission against outcomes. A more equitable distribution of risk and reward can be achieved through future savings that result from a service re-engineering to focus on prevention rather than reaction. This approach to collaborative commissioning relies on developing and maintaining strong and trusted relationships between organisations from across the public, private and social sectors.

Relationships

The question is how to encourage some of the smaller organisations that don’t want to contract but engage with you in a broader way to deliver place outcomes.

Local authority commissioner

Structural reforms and technical changes to commissioning models are disrupting existing relationships and require the formation of new ones. Getting this right will be key in determining whether providers and commissioners are to maximise mutual benefits arising from changes in the commissioning environment. Among providers and commissioners there is an appetite for new ways of working and forging new relationships. They recognise that working in partnership can bring a range of benefits that contribute to achieving improved outcomes for service users and communities. Not only does this require collaboration between commissioners and providers, it also opens up greater opportunities. Indeed it puts the onus on co-production between providers and service users.

In terms of working with outcomes it is really important to inject user voice into the equation, as it helps move away from outputs and numbers.

Visioning workshop participant

Providers identified a range of opportunities and benefits from collaboration, particularly in relation to scale and depth of their reach. Social sector organisations can work over a larger geographical area or in cross-cutting service areas. This has commercial benefits. Sharing resources and expertise enables social sector organisations to bid for, and deliver, larger contracts. This could be especially important for smaller social sector organisations who may have been frozen out of larger contracts before because they could not scale up their approach without commercial skills or access to capital. Collaborating in this fashion helps bring in organisations with specialist expertise (e.g. in health services) or niche providers with local knowledge and connections. It enables them to capitalise on their unique selling point by providing services and expertise that larger providers do not have or are unable to access. It also ensures that services are provided by organisations who are best placed to prioritise user-centric outcomes.

Collaboration brings key skills together from often disparate organisations. This provides a ‘best of breed’ approach to delivery, often offering great value and excellence.

Public service provider, survey response

Asked how, when and why consortiums or partnerships work well, providers said:

- when subcontracting to those with specific experience (e.g. a GP clinic, local advocacy partners, charities with a specific focus)
- by ensuring there is a shared vision and no conflicting agendas
- smaller partnerships are more successful and easier to manage
working together, different organisations can provide a more comprehensive solution and range of provision.

There are a great many opportunities, but we need to lever in a better understanding of access to capital, social networks and key influencers.

Public service provider, survey response

Figure 15: Commissioners see useful involvement for the social sector across a range of areas

In all three focus groups it was felt the social sector had a crucial role in:

- enabling local, community activities that could contribute to “place outcomes”
- helping to build social capital and encouraging communities to be more resilient and self-reliant
- addressing outcomes cost-effectively by encouraging volunteering
- reducing dependency on state provision by improving levels of wellbeing.

Such activities are small-scale, often requiring volunteers rather than paid staff and so are unlikely to be formally commissioned. However, commissioners emphasised the important role infrastructure organisations play in leading and co-ordinating such activity, and that there was scope to commission such work as part of a market stewardship role. Commissioners and providers felt that – despite the general move to commissioning for outcomes – there is still a place for small grant schemes for community activity. These provide seed funding to pump-prime community activity, and they encourage diversity in the social sector.

Outcomes-focused collaborative commissioning across organisational boundaries – based on negotiations with social sector organisations in order to design for demand – was generally seen as a significant opportunity,

However, in one focus group it was suggested that a pilot aimed at putting this into practice
raised difficulties in service procurement because of competition rules. The reform of EU procurement directives in 2014 may be a possible route to overcome this problem. Another may be the effective implementation of the 2012 Social Value Act, the potential of which – as illustrated by Collaborate’s Social Value Commissioning Framework – has yet to be fully realised.\(^{34}\) In any case, commissioners will have be able to mould their commissioning arrangements and contracts to suit the needs of their communities and service users.

**Challenges**

**Measurement**

*Are commissioners ‘passing on the burden of responsibility’?*

**Provider in a focus group**

The move to outcome-based commissioning throws up a number of real challenges. At a policy level, we heard some cynicism about the extent measuring performance by outcomes is distinct and different from management by targets. Quantifying, measuring and attributing complex outcomes and translating these into workable contracts are key challenges. It was thought that keeping outcomes simple and understandable – a stated goal of government\(^ {35} \) – could undermine the process of co-creating them with the community. Most focus group participants criticised the use of high-level or macro outcomes as too crude and inflexible to adequately represent outcomes for a very wide range of individuals – including those with different multiple needs and barriers to employment.

**Commissioners aren’t specifying outcomes – it’s still about outputs. Rather than putting together a support plan for a human being with needs, commissioners are still talking about hours of delivery et cetera…**

**Provider survey respondent**

Although commissioner and provider survey respondents didn’t have difficulty answering questions on outcome-based commissioning, it is clear that the term still means different things to different people. A key danger here is a fallback on outputs and/or activities as proxies. Participants felt this has led to a replication of a ‘target’ culture, together with the perverse incentives of gaming, parking, creaming, etc. Commissioners face a significant challenge in ensuring that contracts are flexible enough to allow meaningful, personalised outcomes, while still specifying some outcomes for measurement and monitoring purposes – whether through PbR or not.

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To what extent does your organisation have the following skills, understanding and capacity in place to support changes in your commissioning approach? (31/40 = 78% response rate)

Our research findings echo literature\(^\text{36}\) that highlights weaknesses in the relationship between commissioning and procurement within public sector organisations. Separate teams often work on different parts of the commissioning process, with different skills, experiences and cultures. Interviewees noted that problems seem to arise in translating high-level commissioning outcomes into contract specifications during the procurement process. In exploring this tension, focus group participants felt contract outcomes may need to be at a secondary level (e.g. numbers or percentages of users reaching agreed outcomes), with several arguing that contracts need a mix of outcomes and outputs.

How much real outcome-based commissioning do we have? At best it is about outputs, at worse it is less than that. There is a huge gap between where commissioners are and where procurement is.

Industry consultant

The attribution of success (i.e. achieving outcomes) as a result of specific interventions was seen by research participants as very problematic – and an inherent weakness of payment by results and social investment.\(^\text{37}\) As the Lambeth Council case study in this report shows, identifying the right outcomes, capturing progress, evidence and impact, and assessing provider performance is a tricky mix to get right – though progress is being made. Some participants felt that the use of ‘big data’ may have a key role to play in mapping cause and effect, and in assigning attribution. But the extension of pooled budgets and collaborative commissioning arrangements may make attribution less of a challenge than it is perceived to be. If collaborating commissioners and providers are all in this together, then accounting for

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future savings is less of an issue. The biggest concern is how to meet user outcomes. Participants had mixed views on the prospects of this approach becoming common practice.

**Risk and innovation**

In order to compete then it [a social sector organisation] must have significant financial reserves.

Provider in focus group

Does PbR in a cost-constrained environment drive innovation? The Government’s programme is predicated on this being the case, but our qualitative and quantitative data casts serious doubt. Most participants agreed that innovation is the corollary of risk-taking and experimentation, but also felt that emerging contractual and payment methods go against this. We heard some argue strongly that innovation against complex problems can only come in a collaborative environment, where all parties with a vested interest are able to share risk and reward on an equitable basis.

Providers identified significant and potentially existential threats concerning financial risk – especially in PbR elements of contracts and where the value of the contract may be inadequate to cover costs. (This also raises questions as to whether providers know enough detail about the full costs of their service.) However, local social sector organisations felt they were not getting the support needed to bid for contracts and manage financial risks. This suggests that a dangerous vacuum is developing which no one agency is able to resolve or take responsibility for.

Cashflow is the main risk of PbR. Social sector providers can be waiting up to nine months for payment.

Interview with senior private sector provider
Which are your main concerns about commissioning social sector organisations (in comparison to either in-house or private sector) to deliver public services? (22/40 = 55% response rate)

Survey data shows that the financial stakes are heightened for those smaller, specialist providers who may be unwilling and unable to take risks if it means incurring financial losses. The consequence of this may be reversion to default ways of working, and thus a reduction in the scope for innovation that the contracts are aimed at facilitating. Our expert group felt that if smaller social sector organisations are unwilling or unready to enter into such contracts, it not only reduces the size of local or sub-regional public service markets, but ultimately deprives end users of access to the most appropriate services.
If you currently delivery public sector contracts, what proportion of your total income is from payment by results (PbR) elements of contracts (i.e. dependent on achieving specific outcomes/results? (55/61 - 83% response rate)

PbR is a very short-sighted commissioning policy unless provision is made to protect smaller third sector organisations from the cashflow problems caused by the model. There is a big conflict between the ideals of localism and the (reality of) commissioning models.

Commissioner survey respondent

Our data suggests that the scope and payment terms of some contracts pose financial problems to smaller organisations (in terms of cashflow or full-cost recovery). This means they are forced to collaborate or merge with others to survive. While commissioners generally encourage such collaboration and many providers acknowledge its benefits, they also point to problems such as loss of mission, values or voice. Furthermore, we heard that forced collaboration from a position of weakness is unlikely to foster the trust and conditions needed for the sort of genuinely-collaborative relationship that is critical to an equitable sharing of risk and reward.

Partnerships tend to work best where (they) are already formed and have experience of delivering...prior to the bidding process. …Where (they) are formed out of necessity to fulfil bidding criteria (you see) less understanding of each other’s aims and delivery practices.

Provider survey respondent

Local commissioners and providers appear well aware of the challenges posed by risk-and-reward regimes such as the Work Programme. Some have concerns as to whether such payment mechanisms can ever improve delivery or encourage innovation in the current financial context – which they feel is making providers more risk averse and less innovative. Providers felt commissioners need to demonstrate greater knowledge of the work of the social sector and to trust the sector to innovate and tailor services to the local environment
by giving them more flexible contracts. Suggested reforms include upfront funding, payment for partial outcomes, and greater flexibility in negotiating payment schedules for projects or over risk sharing. However, this is at odds with the more cost-effective standardised contracts developed by central government commissioners to spread risk.

Commissioners need to have a better understanding of the cost/value relationship… There needs to be a more honest and transparent dialogue [about] the cost of delivering services specifically to more marginalised clients.

Public services provider, survey response

Relationships

Often quite big start-up costs…can mean being forced to partner with a corporate partner…we will only partner for specific reasons and with ethical organisations.

Provider in a focus group

Structural changes are fracturing existing relationships in public service delivery, increasing the distance between commissioners and providers, and generating some potentially unwelcome and damaging side effects.

This worrying trend emerges from commissioner and provider responses. Both felt, in different ways, that the development of an ‘arm’s-length’, more ‘commercial’ relationship poses particular risks for the social sector, and for the clarity of relationship between the public sector and service users. This creates uncertainty over the ability of commissioners to accurately identify and commission for user needs. The public sector has traditionally tended to use social sector organisations to identify current and emerging needs of local communities and specific service users.

If there is no link between public services and the social sector, with its understanding of needs, commissioners won’t be able to talk to the social sector to devise solutions and bring in a range of resources that won’t fit into a competitive model.

Steering group member

Local commissioners reported a close relationship with the social sector – valuing its understanding of, and ability to reach, vulnerable and excluded groups. So it is unsurprising that breaking these relationships (both through funding cuts and sub-and-prime models) is therefore seen as problematic – with smaller social sector organisations bearing the brunt. Some research participants felt strongly that new commissioning arrangements could undermine existing and potential collaboration between commissioners and providers. They argued this could lead to social sector organisations stripped of value and seen solely as potential providers in the market – one of many organisations competing on an equal footing for contracts.
To what extent do you feel that it is your role to do the following...? (27/40 = 68% response rate)

All the focus groups recognised the diversity of the social sector, acknowledging that it ranges from large social enterprises and charities to small community organisations without any paid staff. We heard concerns about how new arrangements would protect and value this diversity. One focus group of commissioners agreed that individual social sector organisations were on a ‘journey’ towards commissioned service delivery, and that local commissioners needed to move at an appropriate pace in their relationship with them.
To what extent does your organisation have a complete social sector provider list, which you use for commissioning? (27/40 = 68% response rate)

Providers cited the value of collaboration, but also its potential problems. Asked when, where and why a consortium or partnership has not worked well, providers said:

- when both organisations have similar scopes of expertise
- when partnerships are formed out of necessity rather than because of their aims and delivery practices
- when partnering with large prime contractors
- because of PbR.

Focus group participants pointed to several areas of weakness, including:

- failure to share a similar vision
- failure to effectively agree the division of work
- practical and cultural difficulties arising from operating in large consortia.

To overcome these problems, providers highlighted the importance of a written or pre-arranged consortium or partnership agreement. This would help avoid later conflicts of interest, or misunderstandings over issues ranging from overall vision through to division of labour and responsibilities. Smaller partnership arrangements were also favoured over working as part of larger consortia as they are easier to manage. Working as part of larger consortia often means working with groups that social sector organisations would not have chosen to work with or did not know well. It can lead to clashes of ethos and mission.
Are we ready for a complex commissioning environment?

Figure 21: Structural weaknesses in the complex commissioning environment

What would it take for commissioners to be ready?

What do commissioners and providers think is needed for commissioners to be ready for an increasingly complex commissioning environment?

- Commissioners need to be ‘more strategic’ and ‘outcomes-focused’ in their approach – throughout the whole cycle of needs assessment, through to service design and monitoring
- Take the initiative to commission across traditional service areas and traditional practices – using social value and increasing drives for integration and collaboration as a lever.
- Commissioners should prioritise understanding and quantifying complex outcomes - for segmented markets with a range of user groups and individuals with multiple needs
- Many felt commissioners needed to develop capacity to translate complex outcomes into contract specifications – in order to avoid perverse incentives and encourage innovation
- Commissioners recognise the need to improve deep knowledge of the social sector and feed this into the development of a market stewardship role.

Both commissioners and providers felt that, to properly take advantage of these changes, commissioners would need to:

- Explore the potential of communities to define and shape their own outcomes frameworks – through methodologies like asset-based mapping and social network analysis
- Do more to leverage the potential of the Public Services (Social Value) Act and forthcoming changes to EU procurement law
- Build their skills and capacity to cope with the commissioning process beyond procurement.
What would it take for public service providers to be ready?

What do commissioners and providers think is needed for public service providers to be ready for an increasingly complex commissioning environment?

- Providers wanted to see innovation encouraged through more flexible contracts with realistic targets.
- Many argued for longer contracts – for example three-to-five years with two-year break clauses, rather than short-term contracts that are ‘re-commissioned’ annually.
- Providers wanted to see standardised procurement exercises to save time spent adapting the same information for different contracts.
- Emphasis was given to the clarity and systematic nature of monitoring and evaluation, which would ensure commissioning plans and processes are rigorous and transparent.
- Providers would like to see advance notice of tendering opportunities and supplier events prior to the release of tender documentation.
- Several argued for a co-production model for commissioning, in which outcomes are intrinsically linked to the user need, not contracting convenience.

Both commissioners and providers felt that, to properly take advantage of these changes, providers would need to:

- be open to the development of new skills and aptitudes – and proactively adapt to the cultural shift that complex commissioning represents
- improve their skills and experience base in commercial procurement processes – including getting better at articulating their unique value
- manage the risk and innovation balance more effectively – managing financial risk and survival at the same time as protecting vision and mission
- proactively explore opportunities for collaboration – across their own sector, and with larger providers and commissioners at the policy design stage.
How could a new ‘complex commissioning’ approach support people with multiple needs?

Peoples’ needs are complex. Most individuals interact with the state through a wide variety of services, their differing requirements handled separately by distinct departments – from refuse collection to local buses. The more vulnerable members of our communities however can often display a greater multiplicity of needs which are more acute, particularly at times of crisis. An older person who has recently experienced a bad fall, for example, will need to access a range of healthcare services, social services, and potentially housing services at minimum. Public services have traditionally struggled to cope with the complexity of such needs, with contact sporadic, overlapping and inefficient, meaning services are adversely contributing to – not helping to address – root causes. This leaves the job of disentangling the complexity to the individual at a time when this is likely to be highly challenging.

Complex commissioning seeks to address this issue by generating integrated service models that are co-designed with users, and that address their holistic needs through a collaborative approach. It is an approach that attempts to reflect the complexity of needs that some individuals face. Adults with multiple needs for example who commonly deal with a number of interlocking problems such as homelessness, substance misuse, mental health problems and interactions with the criminal justice system, would likely design a very different system.

Each local area’s interventions developed through complex commissioning will be different, but they may include some of the following elements we have seen in our research:

- **Co-designed cross-sector services** – with service users, cross-sector commissioners and local agencies working together to both design and run new co-ordinated interventions
- **Personalised support** – for example, a frontline caseworker who understands individuals’ needs, resources and networks; who is an advocate for them; and who can help them access a range of services
- **Integrated front line** – a ‘single front door’, meaning that citizens are not required to contact multiple agencies and tell their story multiple times. This requires a joining up of provision, and user-driven communication.
- **Flexible services** – a commitment to local ‘mainstream’ services that are shaped by and respond to citizens’ needs in real time. This flexibility may initially be supported by co-ordinators, but over time their role may diminish as services offer improved responses to the whole population.
- **Support for transition** – citizens supported through key transitions in their lives, such as from youth to adulthood, or homelessness to housing.
- **Strong relationships** – interventions that create strong social networks and rich peer-to-peer relationships between citizens as a means of combating isolation and a mobilising a whole range of social resources.
A different approach

Our research indicated that complex commissioning is still the exception, not the rule – but our case studies in Cambridgeshire and South Tyneside indicate that a different approach is possible. For an individual like David, the results can speak for themselves:

David is 32, has a long history of multiple needs. As a teenager, he began to use drugs and alcohol to address an underlying anxiety issue that was never diagnosed. Despite a supportive family he dropped out of school and began to engage in low-level crime and antisocial behaviour. He had some contact with the social care system, but by his early 20’s was moving between local homelessness hostels, the streets and prison. Despite multiple assessments his mental health needs were always assessed as ‘below threshold’ and he was poor at keeping appointments with substance misuse services. Because of multiple poor interventions, David is mistrustful of most professionals, but can be very friendly with shopkeepers and the public, who often express their significant concern for his situation. Eighteen months ago, David was referred to a new co-ordinated multiple needs service by the local police. There he was supported by an individual caseworker to address his needs in the timescale and the order that he found most appropriate; and to access a range of services – all made possible by the senior-level strategic commitment to a new way of working in the locality. David is now living in his own tenancy for the first time in 10 years. His contact with the police has reduced dramatically, his health and wellbeing have improved and in his words, he is “in a better place than I’ve been for a long time”. David has plans to start looking for part-time voluntary work and to building new friendships and social connections.

Conclusion: Towards a new commissioning landscape

Commissioning has changed considerably over the past three years, with the Open Public Services agenda making an impact not just in central government but on a local level too. After difficulties with major contracts, the Coalition has tried to refine its commissioning approach, placing the emphasis on outcomes.

There is considerable support for the principles underpinning these reforms: the focus on outcomes and value for money in particular. However, in the course of our research we discovered widespread concern that, if misapplied, the contracting tools and techniques linked to the Open Public Services agenda could have perverse consequences. There is also some frustration that the complexity of using the new commissioning approaches to improve public services is not being recognised.

Nevertheless, our research highlighted many cases of improvement in commissioning practice and three emerging trends in outcomes, risk and innovation and relationships.
Outcomes
We found a genuine shift to outcomes-based contracts nationally and locally. Plans are in place to increase the use of ‘payment by results’ contracting in many areas, while moves away from short, process-based contracts are almost universally welcomed. However, commissioners still have doubts about how well they understand outcomes, and their ability to measure and reward providers’ contributions appropriately – particularly in terms of helping users with severe or complex needs.

There is a need to invest time in defining the desired outcomes that put users and communities at the heart of services.

Understanding the community
Participants wanted to see what one expert called a ‘market for methodologies’ – methods that would give commissioners deeper insight into community needs, assets and resources as a platform for commissioning more effectively.

South Tyneside’s consortium approach to preventing family breakdown through integrated working is a local example of a growing trend typified by the Government’s Troubled Families initiatives. It draws on the methods of organisations like Turning Point and Participle. (See Appendix 3, page 66).

Co-producing outcomes
Outcomes can also be ‘co-produced’ by developing inclusive, deliberative processes that involve citizens and communities in their definition, and by holding service delivery to account.

In Lambeth for example, co-productive techniques have been used to develop an outcomes framework for children and young people that drives procurement practice. (See Appendix 1, page 60).

Embedding community needs into contracts
Public service contracts should be carefully designed to ensure outcomes are achieved. This will not always require payments to be dependent on single outcomes. ‘Proxy’ indicators could be useful – for example, commissioners can track user satisfaction and reward providers who improve it. We were told that strategic priorities and “better thinking around delivery partners” needed to be put into contracts in a way that would encourage social sector bids.

Risk and innovation
Commissioners are transferring more financial risk onto providers in the hope this will lead to more innovation. But providers are concerned about their financial survival and so generally unwilling to take on further risks by doing things differently. More than 80% of providers are concerned about the financial risks of payment by results.

It is vital to understand, and incentivise, all types of risk taking that are required to improve outcomes. Commissioners need to specify the types of innovation they are seeking and incentivise them in partnership models, and payment and funding arrangements.
Balancing risk for the social sector
Risk can be balanced by specifying maximum proportions of payment that is ‘at risk’ if PbR targets are missed; by ensuring speedy payout on interim outcomes; and by demanding transparency on levels of risk transfer across the supply chain.

For example, the Greater London Authority has created a Social Impact Bond to support rough sleepers. It pays providers a significant sum if those on the programme have been in non-hostel accommodation for six months, as well as for longer-term outcomes.

Creating conditions for flexibility
Shifting from excessively short annual and two-year contracts to create greater certainty allows providers to plan ahead and invest in building capability and improving services. For example, contracts of three-to-five years with inbuilt checkpoints can simultaneously reduce policy uncertainty and allow flexibility around outcomes.

Valuing innovation outside of the contract
Cost constraints are reducing providers’ spending on research and development. The trend towards uniform centralised commissioning models is reducing diversity. Small-scale innovation grants are rarely sufficient to robustly test new models.

There is a need to overcome the scepticism felt by some in small social sector organisations and acknowledge that innovation may be most likely to develop outside the constraints of contracting.

New investment partnerships
Organisations such as Big Lottery and the Calouste Gulbenkian Foundation invest in designing, developing and evaluating new service models to address complex and engrained policy problems. Encouraging collaboration between government and/or a number of major trusts and foundations could allow at-scale experimentation that transforms outcomes.

Relationships
Just under 90% of commissioners say they are using commissioning to encourage social sector organisations to collaborate on service delivery. Almost one-third of providers report an increase in partnership working with similar organisations, with a substantial increase in subcontracting.

Relationships are being broken and reformed. Due to the growth in sub-contracting and provider consortia, public sector commissioners in many service areas are becoming less connected to smaller and social sector providers. Meanwhile, social sector organisations rely increasingly on winning work from large private sector partners, sometimes for their survival. This creates lopsided partnerships.

Major structural reforms in a wide range of public services have weakened relationships across different service areas. Commissioners and providers – both of whom want to see greater collaboration – are only now beginning to forge relationships that might improve service co-ordination in future. It takes time to build trust and true collaborative relationships, and to create the policy conditions and governance models that support this.

Commissioners, providers and independent experts all asserted the need for better
collaboration and partnership building – both across silos within the public sector, and in the public service provider market.

**Valuing social relationships**
One commissioner told us, “There is no real encouragement for commissioners to collaborate, no incentivising of areas to join up provision… and a central reluctance to pool budgets.”

Strong leadership and an openness to alternative service delivery models are key to overcoming this. Collaboration can enable providers to offer “a more comprehensive solution and provision” and create “strength in depth” in the supplier base. Survey results suggested 95% of providers responding “would consider collaborating through a consortium or partnership” to bid for future contracts.

**Collaborating to improve outcomes**
Social sector organisations can be good at building relationships with hard-to-reach, vulnerable and excluded service users. They understand their needs, and for these reasons many commissioners are keen to work with them.

However, we were told that “people in the smaller social sector organisations feel like their voice isn’t being heard; there are less people and resources in local authorities to have conversations with, and they are increasingly driven by cost”.

There is sometimes a need to work and offer support beyond contracts – freeing up space for social organisations to build strong relationships with people who have complex needs. This can be within or outside contracts and should be considered at the design stage.

**Using new policy levers for change**
Austerity, organisational culture, the legacy of traditional practice and the constraints of EU procurement law are all put forward as barriers to change. Yet many commissioners and providers told us to ignore the ‘myths’ that hinder change, and to use changing EU law and the Public Services (Social Value) Act as new levers.

**Lessons for government: What next?**
A mix of central and local government commissioning with a range of different providers is likely to remain the basis of the next phase of public service delivery. This is still, however, relatively new territory, and there is no single blueprint for what works.

The successes we heard about were usually based on collaborative arrangements that built integrated commissioning models on a platform of community insight. This insight was generated from strong relationships with a range of providers.

We have focused on the importance of measuring and rewarding outcomes; sharing risk; and building effective relationships across sectors. But our research also points to broader lessons for policymakers – both in terms of the underlying direction and the pace of change.

Our data supports the view that the costs and disruption of major public service reforms are often underestimated, particularly when they involve structural reorganisation. Blanket application of specific improvement mechanisms, such as ‘payment by results’, can be damaging if insufficient attention is paid to service differences or commissioning and provider capabilities. We heard, for example, suggestions that PbR may be too ‘simplistic’ a
payment mechanism to cope with the complexity of needs and outcomes in some cases. Policymakers of all parties must make sure that enthusiasm for new mechanisms and models is not allowed to take focus away from the citizens and communities these models are designed to serve.

All parties have expressed both an appetite for social sector organisations to get more involved and a desire to address the most complex problems in the most marginalised communities. To achieve those goals, commissioners and providers need time and support.

As parties develop manifesto commitments, they will need to persuade those implementing reforms to come with them. Recognising the need for collaboration and interdependency is key. There are thousands of people grappling with the complexity of turning policy ideas into practical improvements for communities and individuals across the country. Only by understanding their frustrations and enthusiasms, and by working with them, will it be possible to develop ideas that can change lives for the better.
Appendix 1

Case study: Lambeth Outcomes Framework for Children and Young People

Co-producing outcomes by and for children and young people through commissioning youth and play work

As part of its shift towards becoming a co-operative council, the London Borough of Lambeth has developed and implemented an Outcomes Framework for Children and Young People.

The New Economics Foundation (NEF) chose Lambeth to pilot a co-production and an outcomes-based commissioning approach. This framework was used for commissioning early intervention and targeted youth provision; and promoting the local co-production of services between providers and service users – in this instance children and young people.

The success of this approach is largely down to the co-production of the outcomes which services were commissioned to bring about.

Background
Lambeth is the 29th most deprived borough nationally and the ninth most deprived in London. It is home to school students who speak 142 languages in addition to English.

Lambeth Council’s Children and Young People’s Service Strategic Commissioning Unit was facing an increasingly tight financial position against a backdrop of structural changes to the council’s approach to commissioning. However, it wanted to better understand the positive impact of youth and play work, so that it could make the case for continued investment, ensure improved outcomes, and achieve value for money.

The Strategic Commissioning Unit decided not to base the tenders – for the initial 12 months contracts for universally-accessible targeted provision, worth a total of £960,000 – on traditional service specifications, but on a new outcomes framework. This was co-designed with local children and young people, and used to inform the co-production of activities between them and those service providers successful in winning the tender.

Objectives
In terms of early intervention provision, the move to commissioning for outcomes underpinned by a co-production approach fulfills several important objectives for stakeholders.

- For society as a whole, promoting individual well-being outcomes reduces the costs of resorting to more expensive services further along the line.

- For the local community, it serves as a platform for enabling expenditure to achieve a wider range of values, including wider economic, social and environmental values.

- For the council commissioner, it provides a means to focus on the nature of the change that will be achieved through its interventions.
For children and young people, it enables them to influence the commissioning process by identifying the change in their needs and aspirations, and it allows them to co-produce activities.

For providers, co-production opens up space for meaningful innovation, working with service users to create activities that might be best suited to meeting the outcomes.

Implementation

The starting point of commissioning against outcomes is the co-production of a comprehensive ‘outcomes framework’. The council worked with over 130 children and young people aged eight to 18 to select and prioritise key outcomes.

By using NEF’S ‘dynamic model of well-being’ as the framework on which to cluster the outcomes, commissioners could better understand the nature of the relationship between a young person’s external conditions (e.g. their income, housing) and their personal resources (e.g. their health, resilience, and self-esteem). They could see how together these things influenced an individual’s subjective well-being – that is, their ability to function in their interactions with the wider world and therefore experience positive emotions. This highlighted the importance of achieving ‘intrinsic’ outcomes relating to social and emotional capabilities. These provide the foundations of an individual’s life chances in the long term and lead to ‘extrinsic’ outcomes that benefit the local community and wider society.

The outcomes framework is comprised of two main components: the co-produced outcomes – against which the council will be commissioning its youth provision – and the specified service qualities. Co-production of youth provision reflects the thinking that service user’s needs are better met when young people are involved in a more equal and reciprocal relationship with professionals. It is underpinned by six key principles.39 This thinking recognises the essential role of users in co-creating value in service provision because positive outcomes cannot be delivered to or for people, only achieved with people.

‘Service qualities’ are a range of different characteristics used to define how the services are to be delivered and evaluated. They support the effective and efficient achievement of the identified outcomes. For example, a key service quality relates to “encouraging collaboration between providers, local employers, community and the council to make the best use of local resources and enhance the youth provision”.

Success and challenges

By co-producing outcomes with children and young people, the council succeeded in involving those who are often seen as ‘harder to reach’ by working with some Pupil Referral Unit students. However, commissioners recognise that certain parts of the community do not want to talk with the local authority at all. This promises to be a challenge to all co-production models.

Moving to an outcomes-based commissioning model can also be disruptive, as it involves a shift away from traditional activity and output-focused contracting that many providers are comfortable with. It also changes the long-standing relationships between commissioners.

39 1 Recognising children and young people as valuable assets; 2 Building on children and young people’s capabilities; 3 Promoting mutual benefit and a more equal relationship between children and young people and professionals; 4 Developing and utilising peer-support networks; 5 Breaking down barriers between professionals and children and young people; 6 Facilitating support rather than delivering.
and providers. Although the model aims to harness the expertise of the market and encourage innovation in service delivery, many providers (particularly smaller social sector organisations) find it difficult to explain the impact of their work and how they intended to meet service outcomes.

To help overcome this and foster an understanding of what it meant by outcomes and co-production, Lambeth spent a lot of time working with providers. The council held workshops, drop-in sessions and offered bespoke support. As part of a future move to locality-based commissioning, it also aims to support the development of outcomes in specific sites by working collaboratively with social sector consortia.

**Lessons**

Lambeth found that adopting an outcomes-based commissioning approach using a competitive process proved difficult in practice. This was because a lot of the council’s previous work had been based on collaborating and building relationships with providers and young people. It was particularly discomfiting for commissioners to know some providers would not be funded as a result of their failure to win contracts – especially in cases where prospective projects may have sounded good in principle, but providers couldn’t demonstrate how they would meet the council’s specified outcomes.

It is important to recognise that co-production cannot be rushed or achieved in a short timescale. As a process it requires considerable time, effort and culture change among commissioners, providers and service users. Lambeth’s experience highlights how important it is to think in terms of a transition towards co-production. Arnstein’s Ladder of Participation can inform the development of a ‘pathway to co-production’ – reflecting the move away from public services that are coercive or educative in nature, through token forms of consultation or engagement, to genuine co-design and co-production.

Many public services are still at the early stages of contemplating this journey, and a lot can be learned from Lambeth’s first steps down this radical and transformative pathway.
Appendix 2

Case study: Chronically Excluded Adult Service, Cambridgeshire

*Tackling complex and multiple needs through co-ordinated services and co-creation*

Cambridgeshire County Council and Cambridge City Council partnered with the NHS and other statutory and social sector organisations to create a co-ordinated multi-agency service for individuals with complex and multiple needs.

The service is one of three original Making Every Adult Matter (MEAM) pilots, designed to help local agencies better understand and respond to the needs of their most chaotic clients.

The success of the Cambridgeshire service lies in achieving strategic buy-in; bringing the right people and agencies together at the table; offering a single point of contact for service users to help them navigate access to services and co-ordinate provision; and supporting them through the journey to rebuild their lives.

**Background**

In 2009 Cambridgeshire County Council conducted a ‘joint strategic needs assessment’ (JSNA) for people who were homeless or at risk of homelessness. Revealing an average age of death of 44 years40, this highlighted a clear failure of public services to achieve improved outcomes for a particular cohort of people with a range of severe problems and needs.

The JSNA’s recommendations called for the development of “a multi-agency steering group to strengthen joint commissioning to address the needs of chronically excluded adults, single homeless and rough sleepers in Cambridgeshire with a focus on improving outcomes and the complex interrelations between health, housing and social care,”. It neatly summed up the challenge of agencies responding in silos to problems that manifest in ways that do not comfortably sit within organisational, budgetary and professional commissioning boundaries.

Concomitant with the JSNA, a joint multi-agency partnership was convened to address the escalating problems of one specific individual. Through co-ordinated support, local agencies were able to achieve significant improvements in the individual’s mental and physical health, as well as positive housing and anti-social behaviour outcomes.

Following this success, the county and city councils together with the police and NHS agreed to explore a co-ordinated approach to service provision for individuals with particularly complex needs. This was supported by modest multi-agency contributions to fund a manager for the new service. As a MEAM pilot, the project benefitted from support to help inform the shape of the new intervention. The cost of the pilot for 12 months was £58,000.

**Objectives**

The Chronically Excluded Adults (CEA) Service focuses on practical co-ordination for people who face a range of multiple needs and exclusions. It ensures that local services are able to provide flexible, personalised support. Its aims are not only to improve the situation that an

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40 Among patients registered at a dedicated homelessness GP service.
individual with complex needs finds themself in, but by doing so, reduce the cost to the public purse.

Unlike targeted interventions that seek to achieve improved outcomes according to their own operational aims or in response to times of client crisis, the CEA Service implicitly recognises that service users are involved in co-creating value in the shape of improved outcomes. To be effective in achieving long-term, transformative change, the client themselves has to be ready and willing to make the change.

By putting their clients’ needs and wishes first – but never promising anything that they cannot deliver – CEA co-ordinators are able to gain their trust and be there for them when they are ready to make the changes needed to turn their lives around.

Implementation
Although the service manager and staff are employed by the county council, in terms of its strategic governance and operational management the CEA Service is overseen by a board and an operational group. These comprise key public sector commissioners and service managers from a broad spectrum of agencies – including health, housing, mental health, drug and alcohol services and criminal justice – and social sector representatives from organisations such as local homelessness charities. Through this local strategic and operational collaboration, agencies are able to secure high level organisational engagement; agree approaches to joined-up front-line working; and discuss how to meet the needs of specific clients.

Referrals to the service are made by various agencies using a behavioural assessment called the New Directions Team Assessment. This was originally developed by South West London and St George’s Mental Health Trust as part of the Adults Facing Chronic Exclusion pilots. The referrals are validated by the CEA team and then prioritised by the multi-agency operational group following a review of the client’s previous engagement and interaction with local services.

Each CEA co-ordinator manages a small caseload of 12 to 15 clients. A traditional approach provides support at different stages, with the client passed from worker to worker. But the CEA co-ordinator can follow a client’s journey regardless of where it takes them and stick with each client until help is no longer needed. Unconstrained by organisational boundaries, the co-ordinators can work with no other remit than meeting their client’s needs. This provides a genuinely person-centric approach with the managerial authority to employ innovative multi-agency approaches.

Success and challenges
When the pilot officially ended in 2012, results from the first year’s evaluation found a measurable and statistically significant improvement in the well-being of clients, as measured through a number of assessment tools. Although in the short term this led to an increase in some costs as clients accessed services – e.g. health, substance misuse and housing – these were more than offset by a reduction in costs elsewhere, including the £100,000 or 31% reduction in criminal justice costs.
Funding for the CEA Service was secured for a second and third year, allowing Cambridgeshire to increase the number of clients it worked with from 15 to around 45. Results of the second year evaluation (available on the MEAM website) show that clients have maintained their well-being improvements and kept overall service use costs well below the baseline.

Co-production is a feature of the service, with clients identifying gaps in provision and feeding back to commissioners about what has worked for them. The CEA Service has also played a consultative role in the tendering process for services in the county, helping improve the provision available. Challenges for the future include exploring how to maintain the flexibility and co-ordinated approach made possible by the CEA Service; and developing systemic changes that can make this way of working sustainable and a key part of the future commissioning process for public sector commissioners in Cambridgeshire.

Lessons
MEAM estimates that nationally there are approximately 60,000 adults with multiple problems living chaotic lives who have ineffective contact with services – and who, as a group, impose disproportionate costs on society and the taxpayer. To date the public sector has struggled to commission joined-up services that can meet their needs in a flexible and responsive manner. However through mechanisms, such as pooled budget arrangements, there is significant potential for commissioners to design interventions that can ensure their most vulnerable residents do not fall through existing gaps in provision.

Informed by the three pilots and other recent work, MEAM now encourages the design and delivery of co-ordinated interventions across the country. It has developed a non-prescriptive framework called the MEAM Approach to help local areas consider seven core elements that are important for all co-ordinated interventions.

Local areas working on the MEAM Approach are encouraged to network and learn from each other and to access the resources on the MEAM Approach website. The experiences from Cambridgeshire and the MEAM Approach framework have the potential to help commissioners and their partners achieve successful collaborative solutions to some of the most complex problems facing society.

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42 The seven elements are: partnership and audit; consistency in client identification; co-ordination for clients and services; flexible responses from services; service improvement and gap filling; measurement of success; sustainability and systems change. Further information is available on the MEAM Approach website, accessed 17 January 2014, http://www.themeamapproach.org.uk/
Appendix 3

Case study: South Tyneside Homelessness Consortium

Meeting needs and improving outcomes through commissioning from a social sector consortium

Against a backdrop of rising levels of repeat homelessness in young people, South Tyneside Council sought to re-engineer its support and provision by commissioning services from a consortium of social sector providers. Using a Kaizen approach to map the nature of existing services, the council worked with local social sector organisations to develop a single pathway for young people to access a range of support – including mediation and conflict resolution services. Through the new commissioning arrangements, Depaul UK, South Tyneside Churches Key Project and Places for People, identified how they could meet individual needs and innovate service provision by working together as a consortium.

Background

In line with the rest of the country, homelessness in South Tyneside has increased in recent years, with a 54% increase in the number of households applying for homelessness assistance from the council in 2011/12 compared to 2009/10.\(^{43}\) The young are particularly affected, with 280 people aged 16-24 presenting as homeless.

As the Housing Strategy 2013-18 observes, the second biggest contributory factor to this increase in homelessness – after the termination of tenancies in the private rental sector – is parents no longer being able to provide accommodation. Combined with the economic climate and the impact of welfare reforms, it was anticipated that the problem was set to get worse, leading to a significant increase in costs to the local authority.

A 2012 review of local homelessness support identified incidents of repeated contact and subsequent disengagement with services by young people. Without protocols or strategy linking the different elements of social care, provision was not co-ordinated. This left young people who were trying to access services confused and frustrated after being redirected to a number of different organisations.

Not only did this fail to achieve improved outcomes for young people, but it led to a deterioration of mental health and an increased risk of substance misuse and involvement in anti-social behaviour. Before 2010 there had also been a high use of bed and breakfast accommodation, which was not routinely assessed and posed safeguarding issues.

Objectives

The council recognised that its traditional commissioning arrangements were too rigid and inflexible and not achieving the desired improved outcomes. It sought to create an improved and integrated service offer for young people facing hardship and at risk of homelessness, and to free up space for innovation while meeting the challenge of budgetary pressures.

As well as remodeling the service by providing assessment beds and appropriate accommodation, the council invested in mediation work to prevent family breakdown. It also sought to improve the quality of data being collected to ensure that services were able to

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\(^{43}\) South Tyneside Council Commission on Homelessness Final Report 2013
meet rising needs. Overall, it aimed to improve the experience of the journey of young people as they move through different stages from presenting as, or at risk of becoming, homeless to successful independent living.

**Implementation**

A meeting in 2011 between council commissioners and a group of young people with experience of being homeless highlighted some of the key issues facing service users. Committed to improving provision, in 2012 the council used the Kaizen approach (a continuous improvement methodology used by some in the NHS) in a multi-stakeholder workshop event. This mapped out provision from start to finish and focused thinking on how to re-engineer services and achieve improved outcomes.

The event was attended by all those with any input into providing services and support for vulnerable young people, including the youth offending service; children’s social care teams and services for young people; officers from housing; health and probation services; and a group of former homeless young people.

It revealed that not enough was known about the full extent of the problem. And it identified a range of issues, including the need for a single referral form, risk assessment and support plan for young people and greater emphasis on preventative work.

As a result of the event, service providers agreed that they could better meet individual needs if they worked together as a consortium rather than receive individual council contracts. They agreed such an arrangement would help innovation and provide more efficient and effective services. The three service providers decided among themselves that the specialist homelessness charity, De Paul UK, was best placed in terms of experience, capability and infrastructure to lead the Consortium. The housing provider, Places for People, and the Churches Key Project sub-contracted with them. The council’s Commissioning Unit organised a pilot project for the Consortium for the first nine months of the proposed contract term, during which an assessment of the longer-term viability of the project was undertaken.

The pilot was used to establish the council’s future service requirements, better understand and develop the market in provision, make space for innovation in service delivery to meet user needs, and support the move to a more co-ordinated service offer.

**Success and challenges**

Collaborating together as a consortium, the three social sector organisations are able to share resources and expertise. They can provide a range of joined-up services through a ‘pathway of support’ for single young people and a ‘pathway’ for young parents and their children. Support is tailored to individual needs and able to respond to changes in personal circumstances, with service users involved in the planning of their pathway to independent living.

Since the introduction of the new approach, data on homeless young people is collected and collated centrally. This means services are better able to see the extent of the homelessness problem and respond accordingly. The re-organisation of services has resulted in an additional 10 assessment beds, at no additional cost to the council, and the creation of a new drop-in service, the Hub. At the Hub, young people can access housing, benefits, training and employment advice and guidance, with ongoing courses focusing on developing
life skills and employability. There is also an expectation that the Consortium will be able to access external funding in support of the council’s strategic objectives.

Funded through a pooled budget arrangement between Strategic Housing, Children’s Services and Adult Social Care, the Consortium arrangements were formulated following negotiations between providers, rather than traditionally procured. The council awarded the contract to the Consortium for a proposed contract term running from April 2013 to November 2014, to be followed by a competitive tender process. Such an approach was unfamiliar to procurement teams within the council. It was difficult to explain why the commissioning exercise was not initially subject to a competitive process. However, legal advice confirmed that the proposed new contract – leading to a procured solution based on the initially-contracted working pilot – was a “reasonable and proper approach” to the provision of the service.

Robust quality-assurance arrangements are in place to monitor the impact and outcomes of the Consortium’s work. The intention is to use these measures to support a move towards a payment by results regime in 2014.

Lessons
Faced with cross-cutting issues involving health, housing and social care, the traditional local authority approach to commissioning individual services was not achieving the outcomes desired by commissioners, providers or service users.

To get the outcomes right, new commissioning arrangements were required that enabled commissioners and providers to work together. This was facilitated by commissioners pooling budgets in pursuit of improved service provision, and by providers pooling resources and expertise, and working collaboratively through a consortium.

Ultimately, getting the service outcomes right meant responding to the relevant needs of each service user, and recognising the different steps that each individual needs to take on their journey.