



Competitiveness, Commissioning and Value For Money

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1. DEFINING COMMISSIONING AND COMPETITIVENESS

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Commissioning – The new paradigm



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Terminology



Commissioning - The cycle of assessing the needs of people in an area, designing and then securing appropriate services (**Cabinet Office 2006**).

Procurement – 'Procurement is the process of acquiring goods, works and services, covering both acquisition from third parties and from in-house providers. The process spans the **whole life cycle** from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical 'make or buy' decision.' (**National Procurement Strategy for Local Government, October 2003**).

Contestability – the extent to which the market for provision of a good or service is open to alternative suppliers.

Competition – An environment in which individuals and or firms bid to gain a greater share of a market to sell goods and services.

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Background and history



- The enabling council - origins.
- Nicholas Ridley – “The local right” pamphlet 1986.
- Compulsory Competitive Tendering (CCT).
- 1998 – Community leadership
- 2008 – Strategic Commissioning
- 2008 – DeAnne Julius review of the Public Services Industry

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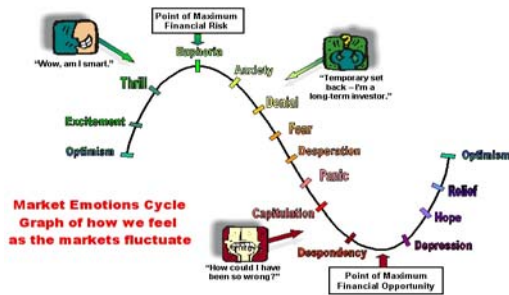
The battle for ideas



- Sympathetic environment.
- Marketisation of public services.
- Government “policy making” – e.g. Partnerships for schools.
- Lobbyists – CBI Public Services Strategy Board, PPP Forum, Business Services Association, NHS Partners Network.

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PUBLIC SERVICES AND THE THEORY OF BOOM AND BUST



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Commissioning and the consultancy industry



Tweedledum: "I know what you're thinking about, but it isn't so, nohow."

Tweedledee: "Contrariwise, if it was so, it might be; and if it were so, it would be; but as it isn't, it ain't. That's logic."

Through the Looking Glass
by Lewis Carroll
Chapter IV: Tweedledum & Tweedledee



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The new orthodoxy



1. "Who provides services is not the issue – what matters is what is provided to what standards and what cost."
2. "Political leadership is about meta-governance" – network management.
3. "Citizens have choice and control."

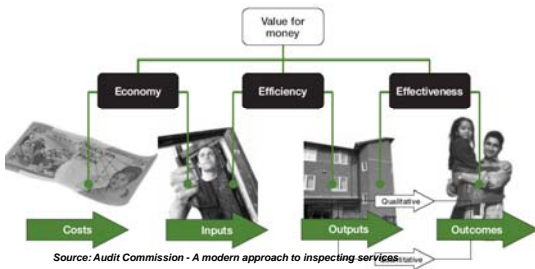
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2. VALUE FOR MONEY

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Demonstrating Value for money



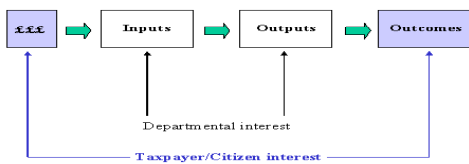
Source: Audit Commission - A modern approach to inspecting services

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Or another way....



The Value for Money Equation



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VFM and In-house services - Origins



- Market failure – price fixing/cartels
- Public policy – housing and school meals
- Political and managerial control
- Skills and training
- Competition – Local Government (planning and land) Act 1980

Value for Money

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3. DEVELOPING A COMPETITIVENESS CONTINUUM



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The primary statutory duty



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Local authorities and competitiveness



"Local authorities, for their own services (including those externally provided) should:

- Regularly and rigorously assess and review the competitiveness of those services against similar services provided by other statutory bodies, local authorities or other service providers;
- Where those services are found to be under-performing in comparison with others they should re-evaluate the need and priorities for that service;
- Where service improvement is unlikely to be forthcoming within a reasonable period of time or unlikely to match what could be provided by alternative providers, local authorities should seek new supply arrangements through, wherever practicable, fair and open competition.

DCLG Statutory guidance , Safer, prosperous communities, July 2008

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Think, Plan, Do Cycle

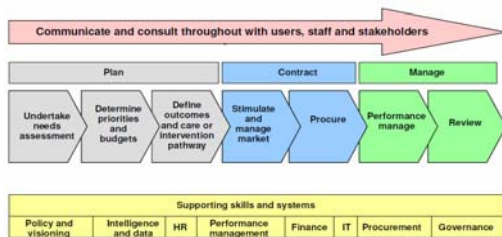


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Do.....as contracting



Figure 2: The strategic commissioning process and supporting skills and systems required

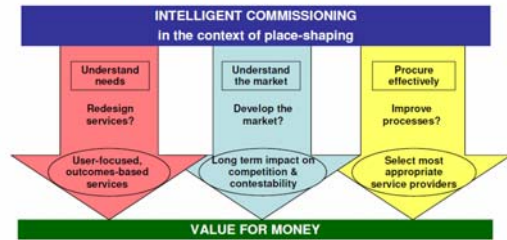


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Intelligent Commissioning



Figure 3: Simplified description of strategic commissioning



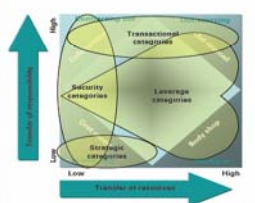
Source: Audit Commission
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Strategic Commissioning and procurement



In-source out source options

| Category | Requirements | Strategic and procurement |
|---------------|---|--|
| Strategic | <ul style="list-style-type: none"> Critical to the delivery of the Council's services. High spend Maintain supply and maintain assets | <ul style="list-style-type: none"> Ensure the Council has control by maintaining responsibility and using own resources to develop and manage suppliers |
| Security | <ul style="list-style-type: none"> Critical to the delivery of the Council's services but relatively low spend Low spend Maintain supply | <ul style="list-style-type: none"> Consider where keeping control in-house or building and contracting out to specialist suppliers with strong controls. |
| Leverage | <ul style="list-style-type: none"> Not critical to the Council High spend Misuse spend | <ul style="list-style-type: none"> Consider options to maximise opportunities to manage e.g. either tender and control in-house or buy in resources to manage or outsource to specialist who can maximise savings |
| Transactional | <ul style="list-style-type: none"> Not critical to Council Low spend and often high transactions Avoidance cost of managing | <ul style="list-style-type: none"> Pass management to specialist by tendering and other contracting out or outsourcing |

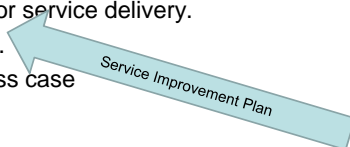


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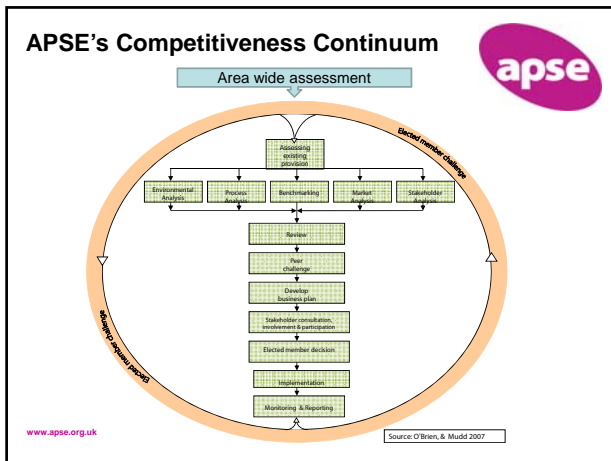
Service Review



1. Scoping of the review.
2. Baseline Assessment.
3. Evaluate the evidence.
4. Develop options for service delivery.
5. Options Appraisal.
6. Develop a business case



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- ### Competitiveness cycle
- Stage 1 – Assessing existing provision.
 - Stage 2 – External focus
 - Business process efficiency analysis
 - Benchmarking
 - Market analysis
 - Stakeholder analysis, perception and satisfaction
 - Environmental analysis
 - Stage 3 – Review and challenge
 - Peer review and challenge
 - Elected member challenge
 - Stage 4 – Implementation and monitoring
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4. THE ROLE OF ELECTED MEMBERS

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Why Councillors are “actors”?



- Representative democracy – The primacy of politics.
- Fiduciary duty – Managing resources.
- Community representation – The advocacy role.
- Strategy and policy – the executive function.
- Accountability – scrutinising decisions, holding the executive and officers to account.
- Local priorities – flexible service delivery.
- Performance management – business planning and review

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Councillors and commissioning



- Best Value – statutory duty.
- Vision and strategy.
- “Thin/intelligent” client.
- Public value vs markets.
- Challenge
- Supporting in-house services
- Continuous improvement

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4. CONCLUSIONS



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New problems, old solutions



- Dominant ideology - markets
- Vested interests
- The role of management consultants.
- Client/contractor – purchaser/provider split.
- Competition – A level playing field
- The “thin/intelligent” client.
- Using contracts to manage services.

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Reclaiming commissioning for local government



- Competitiveness continuum.
- Continuous improvement.
- Core services – flexibility and capacity.
- Democracy and accountability.
- The role of councillors.
- Procurement is a means not an ends.

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Carry on commissioning !



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**LOCAL SERVICES
LOCAL SOLUTIONS**



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