

Making every child matter Better commissioning, better care

A happy and secure childhood is every child's right. Access to good services provided by those best placed to deliver better outcomes is essential. A mixed market in children's services is the right approach to delivering this, but care must be taken to ensure commissioners are able to commission in a way that achieves the best outcomes.

In February 2006, the CBI published its report *Children first: the power of choice in children's services*, which made recommendations on how leadership and change management can deliver a properly functioning market in children's services.¹ A key recommendation was to develop better local commissioning strategies which would help to deliver better outcomes. The purpose of this brief is to identify key principles to help achieve this transformation.

The green paper *Every child matters* united those involved in children's services behind a set of goals designed to support a secure and fulfilled childhood. To deliver this, structures are being put in place to bring together health, education and social services professionals through joint commissioning to provide a more holistic, child-focused service.

To be fully successful, this strategy requires better co-ordination to help commissioners in local government who are responsible for designing and funding services build the best coalition of professionals possible. That means ensuring the best of all sectors is harnessed through enhanced co-operation between the private, public and voluntary sectors. While the public sector has a strong role to play, the days when it alone could aspire to deliver all services are gone.

The environment for children's services has changed, and services must evolve with it.

A multi-agency approach can deliver the change needed—Sure Start suggests it works. The creation of a market in children's services provides the opportunity for public, private and voluntary sectors to work together to enhance services

Key principles for good commissioning

- Clarify the outcomes you want to achieve and base service requirements on them
- Consider what can be achieved — know what is available in the market
- Develop competitive supply markets managed by skilled professional staff
- Design governance arrangements which are fit for purpose
- Use central government and other bodies as a resource
- Ensure transparency and rigour in the tendering process.

through competitive processes and the innovation and partnerships that they drive.

Progress to date on creating a market is welcome but for current and future reforms to be sustainable, local commissioners have to take the lead. A market allows commissioners to set out their vision for integrated children's services clearly and to challenge providers to come up with innovative solutions that improve the quality of care.

CBI members appreciate that this process is hard. It requires levels of specialism, change management and service specification not previously expected of local authorities or other commissioning bodies. We see commissioning as a process of which the technical process of procurement is just a part. Commissioning is a strategic process, involving assessing needs and standards of current provision, and allowing time to consider questions of service design. The procurement process is a key stage of this cycle, and establishing more effective outcomes-focused procurement² will be a major step forward for service quality.

Local commissioning arrangements must promote excellence in all provision. A commitment to competitively neutral markets in education and children's services is one way of securing this. It would ensure that the best-equipped provider is chosen to deliver services—based solely on the evidence of performance and innovation, not the sector in which the provider operates.

This brief has been prepared by the CBI in consultation with providers and commissioners from the public, private, voluntary and independent sectors.

The brief identifies six key principles for good commissioning which we believe can help deliver better outcomes for children and young people:

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- Consider what can be achieved—know what is available in the market
- Develop competitive supply markets managed by skilled professional staff
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Clarify the outcomes you want to achieve and base service requirements on them

Service provision should begin and end with the five *Every child matters* (ECM) outcomes.³ Services should not exist in and of themselves—their justification should be the effect they have on achieving the ECM goals. The expectation is that the children and young people's plan will build on this by setting out the outcomes the children's trust wants to deliver and how these align with other statutory plans.

It is right to acknowledge the difficulty many local authorities face in planning service provision, but effectively defining desired outcomes is vital. Public authorities should seek to improve the detail of future project specifications by investment in adequate resources at an early stage. This requires a full needs analysis, with significant up-front investment and a readiness to create and use new tools that lead to better outcomes. Defining relative levels of priority is also difficult. For example, one local authority has 'achieving one GCSE pass' as a key outcome for children in care and allocates resources accordingly, but has a poor record for health and wellbeing outcomes. CBI members feel that guidance from central government does not yet offer local commissioners the clarity they need, and we have been seeking greater clarity to be provided by further guidance.

Once outcomes are clarified and agreed, provision should be judged in the light of the strategic goals of the commissioning authority. It is important that all provision is considered, though there is a natural tendency to begin by addressing services regarded as weak. Where existing provision is seen as satisfactory there may be a reluctance to challenge

DEVELOPING OUTCOMES FOCUS: BRIGHTON & HOVE AND MOUCHEL PARKMAN

Brighton & Hove has taken an evidence-based approach to service provision, using national resources, case studies and research to justify its priorities based on what works, not existing practice. It has invested in a comprehensive needs analysis of

services using advanced geographical mapping techniques, which allows it to identify gaps in services and where resources need to be targeted.

This had led to the authority being divided into three area teams for

commissioning purposes. To evaluate the progress of joint commissioning, Brighton & Hove has piloted a generic tool developed by Mouchel Parkman that allows users to self-evaluate their progress. This tool is now being rolled out to other local authorities.

NEW THINKING: RHONDDA CYNON TAFF AND FOSTER CARE ASSOCIATES

New solutions and new models of service delivery are key to achieving better outcomes. This requires commissioners to engage with providers so that they can make an informed choice based on what is best for children and young people.

In Rhondda Cynon Taff, the local authority has worked with Foster Care Associates (FCA), which has replaced the council's children's home provision with intensively supported foster care.

This has created a more appropriate environment for young people formerly

in residential care homes, while also saving the local authority £1.2m over a three-year period. FCA provides joined-up support appropriate for the multiple needs of children and young people—such as education, social exclusion and health issues—allowing them to access local services.

it—irrespective of whether it is provided in-house or by another provider—but to deliver better outcomes authorities must create an understanding of which services help achieve ECM outcomes rather than rely on those thought to have worked in the past. Such an approach requires leadership and a shared vision at the highest level of the local authority, including the director of children's services, lead member and chief executive.

Consider what can be achieved — know what is available in the market

Value for money has to be at the heart of the commissioning decision. Any needs analysis must take both value for money and affordability into account. By taking an approach which reconsiders the workings of service delivery, commissioners can choose designs that deliver better outcomes for similar funding levels. Aligning or pooling of budgets—through Local Area Agreements and other routes—will give commissioners a greater sense of the total resources available. Where children's trusts have a clear focus on the outcomes they wish to achieve, pooled budgets will allow for more streamlined funding processes. These will consume fewer resources, reducing overall costs and allowing more resources to be focused on service delivery and the development of new approaches to it.

A focus on delivering value from the resources available should lead to better communication with the supplier community. This will help commissioning authorities understand what the market can deliver, but it also helps providers understand how their offerings can be improved to meet

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authorities' needs. Often this dialogue can result in radical improvements in the quality and delivery of care.

This kind of flexible thinking about how services can be improved is at the heart of what a commissioning model offers children's services. But its use is not yet widespread. In developing children's centres, some local authorities have looked to build and run children's centres themselves while others are seeking to involve all providers from an early stage to harness their experience and innovation.

As the market develops, stability of contract and good dialogue will lead to providers becoming more inclined to invest in capacity and improve their service offering. Historically many contracts to deliver children's services in areas such as youth activities have been short term and funded from a range of sources: a recent study for DfES identified one youth activities programme which has 17 different funding streams from within the same local authority.⁴ Complex, unstable models of funding reduce provider confidence—discouraging new players from getting involved. Such arrangements make it difficult to recruit and retain qualified staff, which has an adverse impact on service quality. Early dialogue about service design and funding can avoid this.

Contract lengths should be set to allow the development of a partnership approach to delivering services. The 'compact'⁵ between the government and the voluntary sector on provision of services advises that funding should be for a three-year period and many compacts between local authorities and the voluntary sector already replicate this. In other public services—for example defence—there are several long-term contracts between the government and providers where a high-level partnering agreement underpins the contract, laying down the fundamental values and objectives of the contractual relationship.

Regular contract reviews and other tools can be used to respond to changing needs and priorities—these should focus on monitoring performance, information sharing and joint problem resolution.

DEVELOPING BETTER COMMISSIONING: NORTH EAST REGIONAL COMMISSIONING UNIT

In north east England the FINE (Facilitating Inclusion North East) partnership comprises 12 local authorities, 16 primary care trusts and two strategic health authorities as well as voluntary and community sector partners. It has come together with the support from Government Office North East to create the North East Regional Commissioning Unit (NERCU).

NERCU was established in September 2005 to meet a recognised need

for a more co-ordinated approach to commissioning out-of-authority placements for children with complex and less-frequently occurring needs. Eleven of the 12 local authorities have funded the unit to collect data to inform local sub-regional and regional development of this provision and provide placement recommendations.

NERCU has entered into dialogue with providers from all sectors to identify available provision and the most

appropriate way of commissioning services. It has established a preferred provider list and a database of providers to inform commissioners which is intended to develop into an effective mechanism for accreditation and quality assurance.

FINE sees its role as shaping the market, as well as responding to it. A similar approach is being taken in East Anglia and the East Midlands.

Develop competitive supply markets managed by skilled professional staff

The CBI recognises that what local commissioners are being asked to do is complex. But to achieve better outcomes, a clear understanding of how to interact with markets is needed. The procurement stage of commissioning must be rigorous and consistent with a high degree of transparency and trust. Project specifications must be closely aligned with desired policy outcomes. Transparency is a key part of this process—public authorities not only need to communicate their requirements but also how bids will be assessed. To do this, local authorities need access to dedicated commercial staff, able to make and close deals. Local authorities also need access to the full range of other delivery skills—project management, contract management, market management and design.

Larger authorities with a significant spend on major projects will need—and be able to afford—a permanent pool of staff with the right range of delivery skills. The Private Finance Initiative team at Leeds City Council is one example of this. The team won the 2006 Public Private Finance award for the best public sector project team. The team was set up as the Facilities Development Unit in 2001 because the council's schools PFI programme required it to develop its own expertise. The team is 32-strong and operates several exclusive

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relationships with external advisors, making it easier to apply the lessons it learns on future deals. Education is at the heart of the team's work, though it has extended its reach into the health, housing and street lighting sectors.

Many smaller local authorities will not be able to build up such substantial cadres—nor would this be desirable for financial reasons. The challenge for these authorities is to develop smaller teams that can work in partnership with more specialist staff, shared between different bodies as appropriate. Procurement hubs are one option. They allow different organisations to aggregate resources and data, ensuring each body gets best value. Tribal Group's work in the NHS with the East Midlands Collaborative Procurement Hub has aggregated data on patient level spend from 27 primary care trusts. This has enabled trusts to see a broader picture of the market, including any pricing discrepancies.

Design governance arrangements which are fit for purpose

Commissioning children's services requires governance structures to manage services over the lifetime of a contract so that local authorities can fulfil their statutory duties to provide services and deliver better outcomes for citizens. Of course, local authorities should recognise that a duty to provide services does not mean they are obligated to be the service providers. In fact, in a contractual relationship, contract monitoring provides the opportunity to identify and address any concerns as effectively as in-house monitoring systems—if not more so. The setting and management of KPIs encourages providers to focus on key aspects of service delivery.

On extended schools, for instance, there is a duty to ensure parents have access to childcare, but no requirement that local authorities or schools provide it themselves. There could instead be an agreement with existing private and voluntary providers to run these services, so reducing the burden on schools and setting up clear responsibilities for providers. A particular concern for those commissioning children's services is ensuring that robust risk management approaches exist. Active management of risk plays an important role in all public-private partnerships, but in children's services it is particularly vital as services must work to ensure child safety at all times. Establishing a sound risk management approach is clearly central to commissioning and should be regarded as one of the steps required before the process takes place.

In the past, risk has often been used as an argument against commissioning. Local authorities have provided services in-house because of concerns about the consequences of delegating risk to other providers. Yet commissioning does something that default in-house provision does not—it places an expectation on the commissioner to clearly specify risks and the provider to manage them and report back on progress. This kind of systematic approach to risk can only help improve the levels of safety and security offered to children, as well as managing the financial risks authorities face in providing services. One approach that can help to share risk is the use of joint venture delivery models. Building Schools for the Future (BSF) uses such a model in the form of a local education partnership (LEP), which is similar to local improvement finance trusts (LIFTs) in the NHS. Such strategic partnerships in children's services, if well procured, could allow directors of children's services to share risk with partners better and draw on a wider range of skills.

The issue of risk management emphasises the need for local authorities to adopt consistent strategies for commissioning children's services. This requires a joined-up approach by all key agencies, with consistent approaches to commissioning and monitoring standards of service so that a focus

on outcomes is maintained. Care must be taken to avoid overly prescriptive governance arrangements which lead to input-focused approaches that reduce innovation and stifle improvement. In Surrey, the VT Four S school improvement services joint venture with Surrey County Council has delivered improved services to schools. The contract is based on a service delivery agreement, but the relationship has developed into a partnership arrangement where Four S staff work with Surrey staff at the highest levels to deliver better outcomes for children and young people. As a result, the contract requires only two Surrey staff to monitor it.

Use central government and other bodies as a resource

The *Every child matters* reforms mark a significant change in the role of local authorities from the primary provider of services to that of commissioner. The CBI recognises the complex changes local authorities are undergoing to achieve their new commissioning role. Some authorities have made more progress than others. We believe that more support, direction and guidance from the centre is needed to ensure commissioners feel supported to make the major changes required.

There are a number of good practice resources available to help design and implement effective commissioning. The most obvious of these is the Department for Education & Skills (DfES) *Joint planning and commissioning framework for children, young people and maternity services* (JPC).

Other guidance has also been produced. This can also be found on the DfES website, which links to the *Every child matters* and Sure Start websites.⁶ These sites provide a range of good practice examples covering all aspects of the work of children's trusts. Other sources include the IDEa guidance *Show me how I matter*.⁷

SUPPORTING GOOD GOVERNANCE: TOWER HAMLETS

In Tower Hamlets a commissioning principles framework (CPF) has been introduced to provide a coherent, joined-up approach to commissioning by key agencies in the borough, as part of the children's trust functions. It outlines an approach to monitoring in contracts using the five ECM outcomes,

meaning all commissioned agencies — statutory and voluntary — monitor services in the same way.

The CPF has developed the concept of a 'commissioning partner', to support agencies commissioning outside of the unit and transfer good practice,

including assistance in defining service requirements and contracting and monitoring the delivery of services.

PRACTICAL HELP AND GUIDANCE TO DEVELOP COMMISSIONING SKILLS

The DfES Centre for Procurement Performance (CPP) provides a good example of a more interactive approach through its programme of developing local authority children's services commissioning skills. This scheme has run as a pilot programme with a small number of authorities for the purpose of learning how authorities are delivering improvements in commissioning and what works well in different localities.

The CPP plans to champion and promote good practice approaches as case studies which will be marketed nationally for other authorities to consider.

Additionally, the CPP is supporting authorities by working with them to develop practical tools and providing advice on other areas where efficiency improvements in commissioning can be achieved. This practical support to local authorities complements the

DfES guidance *Joint Planning and Commissioning* (JPC) released earlier this year and focuses on providing the tools, frameworks, strategy advice and 'hands-on' support to ensure the authority is on the right path towards commissioning good practice.

The JPC and the CPP-developed case studies, tool and templates, are available from the joint planning and commissioning section of the *Every child matters* website.

CBI members welcome this guidance, but more active and practical tools for local commissioners are required. Other practical tools could include greater input from Regional Centres of Excellence on procurement and the Office of Government Commerce. More focus on these types of interventions is required.

Ensure transparency and rigour in the tendering process

Commissioners are more likely to receive the best bids the market can offer and obtain the confidence of providers if they can demonstrate that a level playing field exists between all providers. The CBI report *A fair field and no favours*⁸ reviews what can be done to ensure markets are fair.

Too often, private and voluntary sectors providers face barriers that discourage them from competing to provide services. Even public sector providers can be disadvantaged by poorly performing markets. Unfair competition puts at risk the whole principle of the best provider delivering services, which means children and parents lose out.

Concerns about the fairness of public services markets are not the sole preserve of business: organisations representing the voluntary sector, social enterprise and public sector providers have all separately raised this as an issue. For example, Stephen Bubb, chief executive of the Association of Chief Executives of Voluntary Organisations (ACEVO)

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said: "Unfair competition is giving service users a raw deal by limiting the voluntary sector's contribution to public service delivery." These concerns extend to children's services.

A recent DfES-commissioned report on children's services markets identified that in the children's homes and fostering market there was a preference by local authorities to commission in-house based on a perception that private provision was more expensive than in-house provision. But the report found '*...the evidence is that was perception and was not substantiated by analysis of like-for-like data*'.⁹

The process of encouraging a mixed economy means giving private and voluntary providers a fair shot at running and improving children's services, using managed markets to incentivise them to provide the higher quality services we all want. But for that to happen, they need reassurance they will get that fair shot—that the markets they operate in will be run fairly. The best, most innovative and efficient provider should, after all, have the best chance of winning the contract.

This is not always the case. Anomalies in how new public service markets work mean they often develop in ways that favour some providers over others—frequently, but not exclusively, the incumbent public sector provider. This means the beneficiaries of unfair competitions will win a disproportionate number of tenders, irrespective of whether they offer the most innovative services for the consumer or the best value for money. In the short term, the improvements needed are less likely to be delivered. In the longer term, the possibility of delivering sustained improvements will be damaged if fewer providers choose to tender for services in obviously unfair markets, and the challenge of competition is consequently diminished. In both cases, however, it is the child who loses out.

CREATING A FAIRER MARKET: FULL-COST COMPARISON

In partnership with Torquay and Plymouth, Devon County Council has allowed in-house and external providers to compete to be part of a framework agreement. Eight areas have been accepted so far, including supply teacher cover and web design.

In each case, the in-house team has been given business training and marketing resources to compete and sell its services. In return, it is expected to charge schools the full cost of its services, including all overheads.

This creates transparency when comparing in-house services with those offered by other providers and leads to an in-house team with a clearer customer focus.

Competitive neutrality is about making markets work better where they exist already, so that all children's services providers are challenged to be as effective and efficient as possible. It is incumbent on public sector providers to recognise they are in a competitive market and behave in an appropriate way. Commissioners should ensure that all providers:

- Charge the full cost of services sold in a competitive market, so that the purchaser pays the real price of the service and can better understand who is offering the best value service
- Seek to earn commercial returns in line with the market's commercial status
- Do not subsidise activities in a commercial market by using revenue from non-commercial areas.

To do this, it is vital to ensure a clear division between the parts of an organisation that commission services and those that provide them—a clear purchaser-provider split. In-house teams must operate on the same basis as outside providers. This should include ensuring in-house teams provide services on the same basis as external providers, with similar monitoring and reporting requirements and penalties for failure.

References

- 1 *Children first: the power of choice in children's services*, CBI, 2006. Available from www.cbi.org.uk/publicservices
- 2 Outlining what providers are expected to deliver in terms of the final result, but encouraging innovation in how this is achieved through management freedom.
- 3 The five ECM outcomes are: be healthy, stay safe, enjoy and achieve, make a positive contribution, achieve economic wellbeing.
- 4 *Overarching Report on Children's Services Markets*, PwC report for DfES Children's Services, DfES, August 2006 www.dfes.gov.uk/research/programmeofresearch/index.cfm?resultspage=11&type=5
- 5 www.thecompact.org.uk
- 6 www.everychildmatters.gov.uk www.surestart.gov.uk
- 7 www.idea.gov.uk
- 8 *A fair field and no favours*, CBI, 2006. Copies available from www.cbi.org.uk/publicservices
- 9 Op cit.

Mission

CBI Public Services Strategy Board – transforming public services

The CBI Public Services Strategy Board promotes quality and value in public services through competition and choice. For more information about its work, visit

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