

# Commissioning Excellence

Securing Innovation and Value from London's Voluntary Sector





**Professor Paul Corrigan**

Director of Commissioning Improvement and Innovation  
NHS London



**Dick Sorabji**

Corporate Director,  
Policy and Public Affairs  
London Councils

Much of the excitement of living in London springs from the diversity of Londoners' backgrounds and cultures. All of us, and the NHS in particular, gain from the hard work and commitment of the millions of people who work in and contribute to London. And different people have different health and healthcare needs that an NHS which works with the values of equal access for all, with care free at the point of need, must understand and work with.

There is a growing understanding that creating equity does not mean treating people the same; it means acknowledging difference, acting upon it and treating individuals with their individual health experiences. If you come from a background that means you are six times more likely to get diabetes, then it's wise for the NHS to act on that knowledge in terms of screening and better self-management of your condition.

This excellent study from the London Health Forum provides us with some evidence of areas of progress in developing and commissioning new services which include the voluntary sector. It also shows that Primary Care Trusts value and work with that sector in a variety of ways.

But there is much more to be done. London's PCTs are charged with the improvement of the health and healthcare of the people in their boroughs. Clearly this is a huge task and developing the understanding of the needs of the individuals within our communities and how best to meet them, requires agencies across London to work together. To achieve this with maximum effect on improving health and healthcare for all, will need imaginative commissioning from the widest range of different organisations in the public, private and third sectors. Good commissioning will mean seeking the best organisations based on their ability, not their sector, capable of serving London's different populations. These will be sought out within the proper rules of competition and co-operation to meet local needs.

London has the added challenge of reconciling size, economies of scale and scope and the need for local accountability. In some of our commissioning we need to aggregate commissioning in order to effectively stimulate provider markets.

As a world city, the challenge is also to innovate, in all areas of healthcare, commissioning, provision and in the area of research. This means we have to transcend our traditional culture to diffuse the very best ideas across London's NHS.

This report, and the work of the London Health Forum, will help with all of these challenges and move the agenda forward in a meaningful way for Londoners.

# CONTENTS

- 02 Foreword
- 03 Executive Summary
- 04 Introduction
- 05 Developments in Commissioning
- 07 Case Studies
  - Mental Health
  - Diabetes
- 09 Commissioning from the Third Sector
- 17 Commissioning from the Private Sector
- 19 Conclusions and Recommendations
- 20 **Appendix A** Methodology
- 21 **Appendix B** Eight Principles of Good Commissioning (London Data)
- 26 **Appendix C** Business Questionnaire

# Executive Summary

In this report, the London Health Forum seeks to address the challenges presented by the evolving commissioning climate with the third sector, both on the part of providers and statutory authorities.

The report shows the commissioning landscape is changing: work by the Office of the Third Sector and World Class Commissioning underscores the drive to shift away from traditional models of commissioning toward commissioning evidence-based, innovative, world class services. The Office of the Third Sector (OTS) and World Class Commissioning provide details of the key principles on which effective commissioning should be built.

Our report looks at work that has been done in Ealing and Newham, and shows how PCTs and borough councils have translated the principles set out by the Office of the Third Sector and World Class Commissioning into practice.

Ealing PCT and borough council have taken a highly innovative and strategic approach to commissioning mental health services from the voluntary sector. Their approach encompasses the core competencies of World Class Commissioning, including the management of knowledge and assessment of need, promotion of improvement and innovation, and managing the local health system so as to achieve the most effective and efficient services for the local population. The reallocation of resources to upstream services shows how improved services to the local community can also be cost effective.

Newham PCT and borough council have focused on building capacity through a range of community groups to help improve health outcomes and well being for people with diabetes. The PCT works in partnership with the local authority and local third sector providers to design and deliver services. Since the start of this commissioning programme, there has been a more than 40 per cent increase in participation rates. Newham have used pilot projects to assess the efficacy of a range of new and innovative programmes, technologies and activities and have successfully managed their transition to mainstream services.

In contrast to these two best practice examples, our report shows third sector commissioning engagement in London is low. The survey results used in this study reveal that attention paid to the OTS principles is, at best, sporadic and highlight the high degree of variability in approaches to commissioning across local authorities and PCTs.

Commissioners are under-resourced and often lack expert knowledge and understanding of the needs of services users. Commissioners are not fully aware of the services offered by third sector organisations in their area and not enough work has been done to forge relationships with local providers, develop the

market through capacity building or improve procurement and contracting processes to encourage the widest possible levels of engagement.

Commissioners need to assess the impact their commissioning practice has on the size and diversity of their local supplier base, particularly in the light of the personalisation agenda: the report shows third sector organisations are vulnerable to changes in funding. Commissioners fail to recognise the impact uncertainty and short-termism have on the third sector and their ability to deliver innovative services to hard-to-reach groups.

Third sector organisations must also play their part. The third sector must actively engage with commissioners, especially in the early stages of the commissioning process, to ensure their expertise and experience of working with hard-to-reach users is reflected in service design. It is also incumbent on the third sector to ensure they have an understanding of their financial and legal obligations; third sector organisations need to demonstrate added value through good alignment with commissioning strategy and a proper understanding of financial viability and risk.

Existing commissioning practice is a long way from the approach outlined by the eight principles of good commissioning and World Class Commissioning. It is clear improvements in commissioning cannot happen overnight but by involving third and private sector partners, commissioners can radically change the commissioning landscape and deliver world class services for all Londoners.

In monitoring progress following publication of this report, the London Health Forum will be paying particular attention to the following measures benchmarked by the Office of the Third Sector:

- the number of third sector organisations involved in the early stages of the commissioning process;
- the proportion of three year contracts awarded by commissioners to third and private sector organisations;
- the shift from output to outcomes focused measures.

## Phil Woolas MP, Minister for Local Government, February 2007

**"We cannot deliver our agenda in local communities without the voluntary sector. We cannot involve people, or consult them, or reconnect people with policy, let alone politics, without the voluntary sector. We cannot get innovation, the focus, the flexibility or, crucially, the trust of the public without the voluntary sector facilitating the relationship"**

# Introduction

Despite the size and depth of its health sector, London faces enormous healthcare challenges. There are significant inequalities in health outcomes between different areas and groups and, compared to the rest of the UK, London suffers from a high prevalence of sexual health problems, infectious diseases, diabetes and high levels of obesity among young people.

The roots of much ill health lie outside the health service and so do many of the potential remedies. In recent times, Government and opposition parties have placed growing emphasis on the role of the third sector in public service delivery. The sector has long influenced and shaped public policy and has a record of delivering highly effective quality services to some of the most vulnerable people in society.

The ability of providers to respond to the challenge of delivering world class services for Londoners hinges crucially on the way in which they are commissioned. This includes exploring the scope for commissioning services from the third and private sectors. Here the record of the statutory sector is mixed.

In February 2008 the Office of the Third Sector published a baseline report as a means of evaluating the national programme for third sector commissioning. This showed a marked disparity between ambition and reality where the statutory sector's relationship with the voluntary sector is concerned.

Any shortcomings in the quality of the commissioning relationship are not for want of advice. The Compact initiative paved the way for stronger relationships between local government, the NHS and the voluntary sector, with local compacts being drawn up and adopted across each of London's boroughs. The Audit Commission published an excellent report in 2007. The NHS's World Class Commissioning project also includes salient content with key competencies including:

- **Work collaboratively with community partners to commission services that optimise health gains and reductions in health inequalities;**
- **Manage knowledge and undertake robust and regular needs assessments that establish a full understanding of current and future local health needs and requirements;**

- **Effectively stimulate the market to meet demand and secure required clinical, and health and well-being outcomes;**
- **Promote and specify continuous improvements in quality and outcomes through clinical and provider innovation and configuration.**

Strong relationships with the voluntary sector will be integral to delivery of these competencies. The Audit Commission report shows that while there is openness amongst commissioners to work with the third sector, and a recognition that the third sector could add value to commissioning this had not yet flowed through to consistent, meaningful engagement with third sector organisations in each of the stages of commissioning.

Against that background, this report sets out not to add to the sum of advice but to promote better understanding and uptake of good practice, specifically in the context of London.

With that in mind, the London Health Forum has collected some examples of good and sometimes less good commissioning experienced by our members and others, who include some of the capital's most innovative providers. We have also looked in more detail at the innovative work being undertaken by Ealing and Newham PCTs in relation to mental health and diabetes respectively, two of London's biggest challenges.

In addition, we have re-visited the eight principles of good commissioning elaborated by the Office of the Third Sector, disaggregating the data from the national baseline report to give a London view of performance. In our view, these principles, properly applied, help fulfil the ambitions for commissioning expressed by the World Class Commissioning framework and the goals set out in the Joint Strategic Needs Assessment (JSNA). A full breakdown of the data is included in Appendix B.

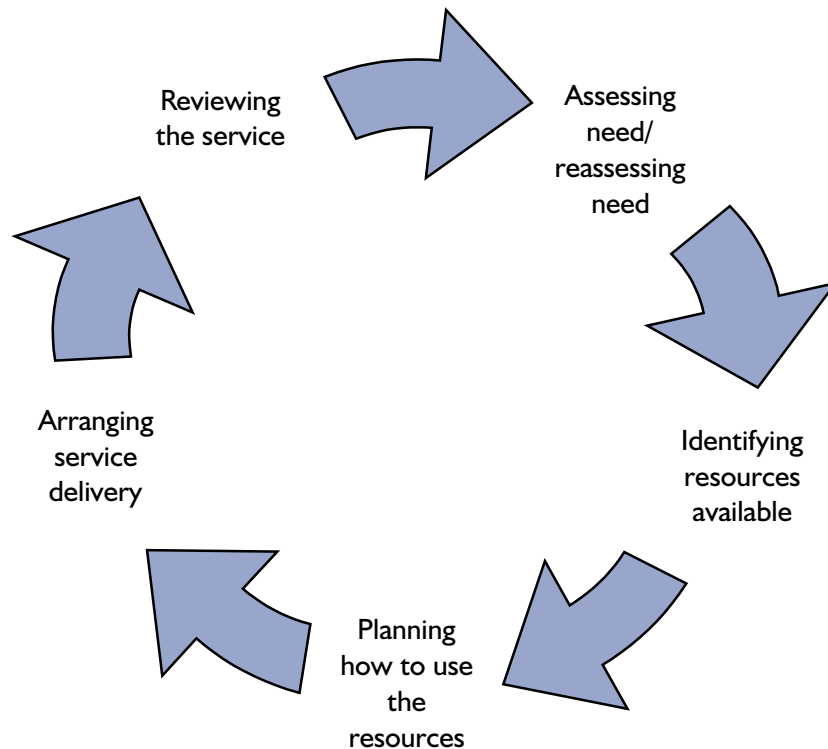
Taken together these examples, along with a chapter on the private sector, should help illuminate the eight principles, in a more practical way. The success of the report will be judged by the extent to which it influences commissioning behaviour.

# Developments in commissioning

Commissioning remains relatively new to public agencies and third sector organisations and its meaning is broad and variable. The terms commissioning, procurement, and tendering are often used interchangeably to describe the purchase of services by public bodies from third party providers. Commissioning is a broader process than tendering and procuring; indeed, both of these are aspects of the commissioning process. Arguably, failure to clarify definitions contributes to the considerable degree of confusion among commissioners and the third sector. “Working out what you want to buy from whom” is a pared down definition, although this fails to reflect the depth of the commissioning process and the complex set of factors involved in effective commissioning.

Commissioning is a means through which public service provision is procured but encompasses a broader range of activity. There are multiple elements of effective commissioning, covering the knowledge that is required about users' needs and the providers in the market, the design of services, the involvement of partners in planning and the procurement process.

For the purposes of this report, commissioning refers to, “the whole process of assessing need, identifying resources available, planning how to use the resources, arranging service delivery, and the reviewing of the service and the reassessment of need.”<sup>1</sup> This definition encompasses all types of commissioning and emphasises the cyclic nature of commissioning as illustrated in the diagram below<sup>2</sup>:



<sup>1</sup> Vision to Reality: Transforming Outcomes for Children and Families, p12.

<sup>2</sup> Ibid, p13.

## Ealing PCT - Mental Health

### Assessing need

Ealing PCT commissions a range of mental health services from the voluntary sector including group counselling services, activity day services, and one-to-one counselling. The need for specific services for anger management, bereavement and relationship difficulties was identified by commissioners and these services, provided by voluntary sector organisations, have become well established.

### Identifying the resources available

Ealing commissioners value the expertise of voluntary sector providers, particularly their experience of working with black and ethnic minority communities within Southall. Commissioners have actively engaged with projects run by third sector providers to see how they can best introduce systems of self-referral - which have proved successful access mechanisms for voluntary sector partners - into primary care mental health services provided by the PCT. They have a comprehensive map of all providers operating in their area, and of their services.

### Planning how to use the resources

The tender process for the Health & Social Care Grants is a three year commissioning cycle which brings together Health and Social Care Grant funding to strategically commission the voluntary sector. The three year cycle provides stability for the voluntary sector as well as flexibility for commissioners and providers to meet changing needs. Commissioners produce service specifications to meet the needs of the local population and to address gaps in provision. The specifications focus on outcomes; they are not prescriptive in how the services should be delivered since commissioners believe this provides for more innovative approaches to service delivery from voluntary sector partners.

### Arranging service delivery

At the beginning of the bidding round the PCT/Borough ran workshops for the voluntary sector for both funded and non-currently funded groups - detailing the tender process, timescales, scoring criteria and bidding opportunities. The workshops also provided an opportunity for voluntary sector colleagues to feed back their experience of unmet need or service gaps into the process.

The specifications for the bidding round are agreed at the Mental Health Partnership Board, which includes representatives from the voluntary sector, service users and carers, statutory providers and commissioners. This process is the same process that is taken across other care group areas e.g. learning disability and substance misuse.

### Reviewing the service

Feedback from voluntary sector colleagues gained through monitoring visits has helped Ealing inform how it commissions services from the sector and has on the whole been positive about the approach Ealing takes.

### Assessing need/Reassessing need

All providers are reviewed annually by the mental health commissioning team, which includes a service user representative. Clear monitoring guidelines have been produced to ensure the service is delivering agreed outcomes and meeting users' needs.

Commissioning then should be seen as a recurring process of continuous monitoring, evaluation and improvement to ensure the best possible outcomes for service users. The definition encompasses all types of commissioning from all types of organisations. It is equally applicable to internal commissioning, where a PCT purchases services from itself, and to external commissioning, where commissioners ask an external agency - third or private sector - to deliver services on their behalf.

Central to realising the potential of the third sector in improving the quality and effectiveness of public services are commissioners. Commissioners - the people who decide which services are provided, how, at what cost and where - are key to ensuring the right results. This hinges on a common understanding of commissioning, which needs to be agreed with providers from the outset.

# Case Studies

World class commissioners need to develop the knowledge, skills, behaviours and characteristics that underpin effective commissioning and look to commission better services and deliver better outcomes based on local priorities. Here, we highlight two innovative projects that serve as excellent examples of commissioners and third sector organisations working together to reduce health inequalities and improve health and wellbeing. The examples of Ealing and Newham show how World Class Commissioning competencies can be transformed from policy to reality.

## Ealing: Mental Health

Spending on mental health in London is a third higher than the national average and in some PCTs nearly twice as high, yet community level mental health services are less prevalent in London than elsewhere; an issue which Ealing has sought to address through innovative commissioning.

The Borough of Ealing covers a large area of around 55 square kilometres in west London and has a population of over 300,000 the third largest in London. The general prosperity of the borough is not shared by all of its communities and substantial health inequalities exist. Poor standard of health and education, low household incomes and high benefit dependency are concentrated in the borough's poorest areas and among particular communities. Ealing contains wards like Southall, in which over 40 per cent of households have one or more members living with a long term illness. More than 75 per cent of Southall's population is of minority ethnic origin.

Both the Mental Health Needs Index and National Psychiatric Morbidity Study demonstrated that Ealing had similar levels of morbidity and mental health needs to the London average but higher levels than immediate neighbouring boroughs. There are around 1,000 hospital admissions for mental health problems and 4,000 people treated in secondary care each year. Similar to the national picture, 90 per cent of mental health needs are managed in primary care.

Ealing PCT and the London Borough of Ealing take an innovative and strategic approach to commissioning mental health services from the voluntary sector. In 2007, Ealing PCT and the London Borough of Ealing pooled grant funding to strategically commission services from the voluntary sector to provide a range of counselling, vocational support services, meaningful day activity services, advocacy and BME specific support services on a three year basis, in line with priorities set out in the five year integrated mental health commissioning

strategy. The three year commissioning process provided sustainability for these voluntary sector groups that had traditionally been awarded one year grant funding.

To build capacity and support good quality applications coming forward commissioners ran workshops with local voluntary sector organisations as part of the three year commissioning process. The workshops covered the application process, timescales and discussion around the type of outcome data that would be required from successful organisations, as well as the areas that would form the specifications against which organisations would bid. Feedback received on this process was positive and helped shape the eventual specifications that were used in the commissioning round. The value of working in partnership with the voluntary sector was demonstrated in the number of good quality applications submitted.

In 2007, the local mental health trust and primary care trust also agreed a strategy at board level to reduce spending on secondary mental health care by five per cent over three years and to invest it further upstream in primary and community services.

The reconfiguration of services was phased and built on previous modernisation that put in place Home Treatment, Assertive Outreach and Early Intervention Services funded from the closure of two inpatient wards. The movement of resources from secondary to primary care funded the development and expansion of Ealing's integrated primary care mental health and wellbeing service and the provision of vocational support services as part of the wellbeing service. This has meant Ealing has substantially increased the availability of psychological therapy in primary care resulting in significantly reduced waiting times and positive outcomes for patients including reduced severity of symptoms, improved access to evidence based therapy and clients having been supported back to work.

The PCT has seen a reduction in hospital stays as a result of timely access to primary care and the development of early intervention and home treatment services. The development of the number, type and range of schemes available within primary care and the voluntary sector - supported by specialist health professionals, nurses, therapists, vocational advisers and General Practitioners - has also helped reduce the number of inpatient admissions.

The reallocation of resources from downstream to upstream shows Ealing PCT has not only made substantial efficiency savings but is now better able to offer more appropriate and improved services to the community it serves.

## Newham: Diabetes

The Diabetes National Service Framework Delivery Strategy reported that 5% of all NHS expenditure and 9% of hospital expenditure were accounted for by diabetes: these figures could rise sharply given the degree of morbidity associated with complications of the disease.

Newham is an inner London borough with a population of over 247,000 and has the highest rate of Diabetes Type 2 in England. The prevalence of diabetes in Newham is already in excess of 5 per cent and the ethnically diverse nature of Newham makes diabetes a pressing local concern: diabetes has been shown to be six times more common in people of Asian origin and three times more common in those of African and African Caribbean origin. 61 per cent of the population come from mixed, Asian or British Asian, Black or Black British, Chinese or other ethnic groups.

Amongst Newham's Black and Asian ethnic groups, diabetes is significantly more common than it is for the White population. South Asians (Pakistani, Bangladeshi, Indian and other) have the highest prevalence at 7.49 per cent followed by Black (Caribbean, African and other) at 6.04 per cent and finally the White population who have a prevalence rate of 4.83 per cent.

Projected trends show that by 2016 the prevalence of Type 2 diabetes amongst the Asian population will increase from 7.49 per cent to 8.65 per cent. Over the same period, a similar increase is predicted for the Black population: from 6.04 per cent to 7.86 per cent. Prevalence for the White population is lower but also increasing.

Overall, the prevalence of Type 2 diabetes in Newham is likely to double to more than 10 per cent during the next 10 to 20 years, in line with UK and Western world predictions, relating mainly to the increasing prevalence of obesity in adults and children. The burden of diabetes in Newham will continue to grow annually, due to the associated macro vascular complications of coronary heart disease, cerebrovascular disease and peripheral vascular disease, along with the microvascular complications of retinopathy, nephropathy and neuropathy. In addition, Newham is already observing a worrying increase in Type 2 diabetes in teenagers and young adults, with a predictable rise in pregnancy complicated by Type 2 diabetes.

It is clear commissioners in Newham have to adopt a strategic approach to diabetes care and look at different ways of commissioning services both to support services for people already diagnosed and living with the disease, and preventative measures. Delivering effective interventions to improve health and reduce health inequalities is a priority for commissioners in Newham.

Newham has a strong tradition of innovative and high quality diabetes care, dating back to the establishment of outreach clinics in GP practices in the 1980s by Professor Peter Kopelman, as well as the development of the diamond diabetes database which continues to support the secondary care service. The primary care infrastructure for diabetes care has continued to develop; however, late diagnosis and compliance remain an issue.

Newham PCT identified the most at risk groups, mapped local providers and found a gap in diabetes education and care services for ethnic groups.

Communities of Health is a programme to develop capacity by accrediting a range of community groups to become co-creators of health. Since the start of this work, the partnership between the local authority, the PCT and voluntary sector has seen a more than 40 per cent increase in participation rates. This includes activities such as Salsa, Africanistic and traditional dance, yoga and exercise classes, cookery clubs, walking and healthy eating groups with a focus on messages such as five-a-day and reducing salt intake. These are already having a measurable impact on the lives of thousands of people.

This work is being further developed with the introduction of digital storytelling workshops run by Patient Voices. A pilot commissioned by the PCT features the story of a local South Asian woman who shares her experience of living with diabetes. This medium will be used for peer advice and support and to encourage people in the local community to gain new skills necessary to deal with diabetes.

Additionally, the PCT has commissioned local Diabetes UK workers who run an information service providing 500 hours of telephone based advice and information every year to local people, as well as participating in health fairs, running their own events and social activities, with clinical involvement from consultants and diabetes specialist nursing staff.

The PCT is currently working to develop a programme that trains voluntary and community groups as providers of services. In line with the eight principles of good commissioning, the programme puts outcomes at the heart of the strategic planning process and offers enough flexibility to encourage innovative and effective delivery. The project will be a three year programme and it is hoped the development of the voluntary sector around compliance and lifestyle intervention will provide a different approach to the challenge of diabetes. Through effective monitoring, commissioners know that a holistic approach to diabetes is necessary; educational and screening programmes will be made available in schools, colleges and the workplace and those at high risk will also be given access to services.

# Commissioning from the Third Sector

All major political parties have shown increasing interest in the third sector over recent years, and have examined a variety of ways in which their contributions to society can be harnessed and used effectively to improve the delivery of public services. There is unprecedented emphasis upon third sector involvement in public service delivery, seen most clearly with the creation of the Office of the Third Sector in May 2006.

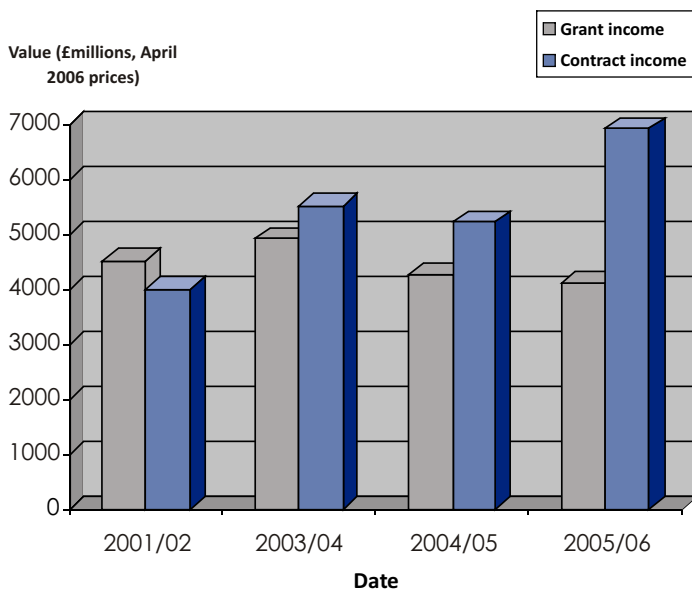
The government considers that the inclusion of the voluntary sector among the suppliers of public services brings wider benefits beyond quality service provision to public services; this has often been described as added value. The wider benefits of employing the third sector to deliver services include:

- involving local people and creating a sense of community ownership;
- building the skills and experience of volunteers;
- increasing trust within and across communities, thereby building social capital.<sup>3</sup>

However, studies show that third sector involvement in service delivery is low. Commissioning of the third sector across health and social care forms a minority of activity, equating to just 14 per cent of the overall budget for service delivery by third parties in England.<sup>4</sup>

Beyond the delivery of public services, third sector organisations make valuable contributions to the communities they serve through public participation, social inclusion and community engagement. The majority of third sector organisations are very small: 84 per cent have incomes below £1million per annum, 34 per cent below £50k, and 54 per cent employ fewer than 25 people.

Trends in voluntary sector income through grants and contracts, 2001-06



Source: NCVO, UK Civil Society Almanac 2008

## Financial Relations

Government has a long history of funding third sector organisations to support both their existence and specific activities which government feels can complement its own aims and objectives in public service provision. There are almost 170,000 registered charities in the UK and over 20,000 in London. Total public funding from local and central government reported by the third sector has doubled from less than £5 billion in 1997 to more than £10 billion in 2005. Most recent growth in the public funding of the third sector has been driven by an increase in commissioned rather than grant-funded services, which gives some third sector organisations cause for concern.

Research shows that this shift away from grant aid towards commissioned services is fundamentally changing the way the third sector is funded: 44.3 per cent of third sector organisations in London received 50 per cent or more of their funding from the public sector. Whilst some third sector organisations are concerned by this development, 65.1 per cent of third sector organisations in London, and 73 per cent nationally, view delivery of public sector contracts as an opportunity for the future. However, 83 per cent of third sector organisations agree that the public sector does not understand the impact this shift in funding to commissioned services will have on the third sector.

It is clear both government and public sector organisations are now commissioning more and more services from the third sector and that this trend will continue. Any effective commissioning strategy must create an environment that allows the third sector to thrive. Some third sector organisations may choose to have no involvement with the commissioning of public services. However, it is in the interests of all, that those organisations which want to be involved in the commissioning process are able to do so.

The remainder of this chapter provides a summary of the problems facing commissioners and third sector organisations and suggests ways in which they can be addressed.

<sup>3</sup> Cabinet Office and HM Treasury, The future role of the third sector in social and economic regeneration: final report, Cm 7189, July 2007, para 4.7.

<sup>4</sup> IFF Research (2007) 'Third Sector Market Mapping' Department of Health, Leeds February 2007.

## Managing Knowledge, Assessing Needs

For commissioning to be world class, decisions should be based on knowledge and evidence. Third sector organisations have valuable knowledge and expertise which can help frame a commissioner's understanding of users' needs but barriers present in the commissioning process can prevent third sector organisations participating.

Third sector organisations, particularly smaller ones, find lack of resource and capacity a real barrier to participating in the commissioning process. They often lack the time and money to become involved in the early stages of commissioning and do not have the skills to fully understand the commissioning process and the value of their contribution.

Conversely, commissioners accept the third sector has the knowledge and expertise which would prove helpful when commissioning services, yet like third sector organisations, commissioners are also

constrained. Most commissioners in the capital run a small team and have little time to review initiatives. Commissioners have to balance the pressures of time-limited budgets and strategic commissioning. One commissioner who took part in our focus group commented:

'My budget for services is time-limited and there is a pressure to spend. It is difficult to employ a strategic commissioning process and fully engage with smaller, local third sector organisations in particular because there is simply not enough time to do so.'

In addition, high levels of staff turnover in PCTs make the development of consistent working relationships difficult and can undermine involvement in commissioning activity. Therefore, it is incumbent on both commissioners and those in the third sector to engage with each other.

### Waltham Forest Council and Waltham Forest PCT

Waltham Forest Council worked together with Waltham Forest PCT to draw up a commissioning strategy for 2007–2010 for health and social services for older people. The council and PCT between them have access to a wealth of data in respect of their population's demographics and health and social care needs. They also have significant information about the historic demand for services. To understand the needs of users in the area, Waltham Forest Council and PCT looked at a range of sources and engaged with a variety of organisations, including: 2001 Census, Director of Public Health Annual Report, Projecting Older People Population Information System (Poppi), Commission for Social Care Inspection (CSCI), insurance companies, Department of Health,

deprivation indicators, local voluntary sector, special interest groups including Age Concern and Mencap, and spend analysis, and public and private representations.

Waltham Forest Council and PCT are both committed to understanding the need of users,

"It is essential that any service which is commissioned is done so on the basis that there is an identified need and that the potential demand for services is assessed... "This analysis not only includes the planning of new services but also the take up of existing ones."<sup>5</sup>

### Turning Point

The social enterprise Turning Point recently ran a one day session for mental health and primary care commissioners from a range of PCTs to look at the Increasing Access to Psychological Therapies Programme (IAPT). The session explored ways in which all parties can work together, showing a partnership approach, involving a number of key agencies, is the key to success.

<sup>5</sup>Waltham Forest Council, A Commissioning Strategy for Adult Social Care, 2008, p. 17.

Turning Point's model - Rightsteps - harnesses the best of local expertise and helps prevent people from getting into crisis by providing them with timely, low-intensity support tailored to their needs. The aim of the programme is to support people "upstream", thereby preventing deterioration in their lives, promoting the strategic direction for delivering healthcare with a greater focus on prevention as set out in World Class Commissioning.

Turning Point want to work with commissioners to ensure appropriate support is available to everyone, including those with the most complex needs, who traditionally have been excluded from accessing psychological therapies.

Brendan McLoughlin, the Care Services Improvement Partnership's IAPT lead for London. Brendan said:

“

This provided an excellent opportunity to talk through what we are looking for from Primary Care Trusts in order to demonstrate their state of readiness, and to explain the opportunities IAPT presents to revolutionise primary mental health care.

”

Commissioners must also have an overall picture of the myriad agencies currently offering services in their area: mapping potential providers and understanding the market environment in which commissioners can buy services is central to good commissioning.

There is genuine competition involving the third sector for a few services but competition tends to occur between larger third sector organisations and the private sector for larger contracts and mainstream services. Research shows there is little competition between and within sectors for specialist or niche service with smaller third sector organisations tending to have a monopoly of service delivery due to the specialised nature of the service.

Without a full understanding of the diversity of the market, commissioners will find it difficult to

understand the long-term impact their decisions will have on competition and contestability, yet there are numerous barriers to gathering knowledge of the range of local providers.

There are over 20,000 registered charities, 3,400 social enterprises and 450 housing associations in London; without mentioning community organisations, co-operatives and mutuals that make up the third sector. If we add these three figures together and divide them by the number of boroughs in London, we could say that in any given area, there are more than 700 third sector organisations operating and delivering services. Not all organisations want to contribute to the commissioning process but this crude calculation illustrates the magnitude of the task facing commissioners.

## SANE

SANE was established in 1986 to improve the quality of life for people affected by mental illness. The organisation works to raise awareness and respect for people with mental illness and their families and to secure better services. SANE researches the causes of serious mental illness and provides help and information to those experiencing mental health problems, their families and carers through SANEline and SANEmail.

SANE has been proactive in offering itself as a potential partner. SANE sought to engage with

mental health commissioners, to better understand local needs for mental health services. SANE reported that in London, two out of three commissioners were happy to meet to discuss trends for commissioning, mental health structures within their PCT and the more general landscape of mental health commissioning across London. Commissioners were open to discussing ideas and constraints: five PCTs shared their strategic plans and highlighted where further investment is required.

## Stimulating the market

Commissioners will need a choice of responsive providers in place to meet the health and care needs of the local population and should therefore use their investment choices to influence service design, increase choice, and drive continuous improvement and innovation. Newham PCT and their investment in building capacity in local diabetes services is an excellent example of investing in the capacity of the provider base, particularly those working with hard-to-reach groups.

Commissioners should make support available to third sector organisations to enable them to develop and establish the capacity required to provide good quality services. In particular, resources must be made available to build the capacity of the sector to take on a greater role and commissioners should acknowledge the importance of supporting organisational capacity as well as funding direct service provision.

### London Councils

London Councils is supporting capacity building among voluntary bodies in London. The gains come from better services, stronger engagement of communities and a focus on the solutions that meet the needs of people across health and social care. Training for commissioners in adult and children's services and building skills in third sector organisations have been provided by London Councils. A training programme for providers and capacity builders, enabling small and medium providers bid for services is also available through a partnership between Hackney Training and Enterprise Network and Greater London Enterprise. Advice and support is available from London Councils with the focus on joint working with organisations offering health and social care services.

Pilot schemes offer commissioners an opportunity to test the market and develop new and innovative approaches. Testing the design and outcome measures of a service gives commissioners and partners involved in the commissioning process the opportunity to improve service design. Across London, a vast number of third sector organisations are carrying out a host of successful pilot schemes that have the potential to change and improve services and commissioners should consider how best to support the transition from piloting to mainstream delivery.

## Turning Point and Kingston PCT

Kingston PCT has commissioned Turning Point to pilot a model which hopes to demonstrate a new way of delivering seamless psychological therapy services across the borough. This innovative approach brings together Kingston PCT, South West London and St George's Mental Health Trust and third sector provider Turning Point.

Turning Point will provide Wellbeing Coordinators who will deliver a range of services across the care pathway, with clinical supervision provided by the Trust's High Intensity Workforce. This tripartite approach demonstrates world class commissioning competencies and enhances Kingston's state of "readiness" for 2009 IAPT funding.

The piloting of this new collaborative approach will help foster closer liaison and information sharing between statutory and voluntary organisations, which could then be rolled out to other services.

## CEMVO and Barking and Dagenham PCT

Barking and Dagenham PCT has commissioned one of CEMVO's members, Community Enterprise East London, to deliver an innovative pilot project using taxi and minicab drivers to communicate health messages to the public. This is an innovative one year contract which aims to determine whether taxi and minicab drivers can be used to communicate effectively with hard-to-reach groups who do not respond to traditional NHS marketing approaches

## Procurement and Service Delivery

World Class Commissioning demands an understanding of fair contracting and states contracts ought to be proportionate to risk. Many third sector organisations contract with a number of statutory agencies and are often subject to differing contractual arrangements. Common sense dictates that with over 30 primary care trusts, 40 acute mental health trusts and 32 boroughs, it would be nearly impossible for any apart from the largest organisations to compete for pan-London or even cross borough service delivery contracts. However, there are simple solutions which could help both third sector organisations and commissioners deliver better services.

### Standard contracts

The most common complaint from the third sector concerns complex and bureaucratic tendering: there is a persistent belief that current procurement practices favour larger third sector and private sector organisations. The complex and bureaucratic nature of some contracts automatically excludes smaller third sectors organisations from the process. A tendering system should be designed to encourage expressions of interest from the widest range of providers.

To remedy this problem, commissioners could look to streamline core parts of the bidding requirements across service areas and geographical boundaries, design business questionnaires which reflect the size and value of a contract, and provide advice and workshops for smaller third sector organisations outside the procurement process, as demonstrated in the Ealing case study. A model contract could alleviate some of the burden of bureaucracy whilst allowing a degree of local flexibility and responsiveness to users.

Some bids made by the third sector are of poor quality, omitting required legal and financial documentation. The onus is on third sector organisations to ensure that their bids are professional and comprehensive. Bids must include all the required documentation financial and legal, match key delivery priorities, demonstrate clear understanding of the policy agenda and the strategic drivers commissioners are working to achieve.

The standardisation of bidding procedures, particularly for low value, low risk services would help to reduce the burden on smaller organisations and hence promote their involvement in services delivery.

## Bureaucratic Burden

To illustrate the complexity and bureaucratic nature of some public sector organisation we have included an extract of a business questionnaire for low risk bids under £100k issued by one London PCT (see appendix c). The full document is over 47 pages long and contains over 100 questions. The document is not part of the main bidding process, rather it is part of an evaluation process to assess an organisation's suitability to be invited to tender or provide quotations.

The questionnaire imposes a burden which is likely to be insupportable for many third sector organisations. Unfortunately, this type of procedure is becoming increasingly common across PCTs and other public sector organisations, and imposes a barrier to entry. Local authority and PCT commissioners should consider introducing a framework document that can be shared between statutory providers. This would improve efficiency for commissioners and benefit third sector organisations.

Fair and transparent processes also means commissioners should be timely in their decision-making and offer to provide feedback. Governance procedures should include a timeline, detailing when decisions on awards and proposals can be expected, and arrangements should be made so that feedback can be provided to unsuccessful bidders. As one third sector organisation commented:

“ We have engaged with PCTs who subsequent to discussions, were open to us providing proposals for services to support specific actions within their mental health strategy. In three instances despite proposals being sent in August 2008, and assurances of feedback, to date we have had neither a reply nor feedback. The lack of feedback hampers the ability of voluntary organisations to understand the local commissioning process. ”

## Terrence Higgins Trust and London Councils

Terrence Higgins Trust is working with London Councils to provide a support service for refugees affected by HIV, comprising a helpline, counselling and mentoring. Commissioning took place in four separate stages. All the evidence used to decide priority needs for commissioning was published on London Councils' website and in the tendering and intentions documents. The commissioning process was transparent and with clear and realistic timescales. Feedback was given at each stage of the process; if any question had not been answered fully, the potential providers had time to improve their application. Meetings were held to clarify the process, paying particular attention to discussion around the outputs and outcomes desired by London Councils. Decisions were announced six months before the start of the four year contract giving successful providers time to prepare. Meetings were held with the responsible officer one month before contracts started to clarify what reporting was required, why it was required and when funding would be released with dates given for the next four years. This commissioning process was transparent and reporting requirements were clear and agreed from the outset. There was support throughout the application process, sufficient time to prepare and submit a thorough application and enough time to set up a project to run from day one of the contract.

## Short term contracts

The 2002 Treasury Review identified short-term funding as a major problem for third sector organisations and saw renewable one-year contracts as the principal cause for concern. The Local Government and Public Involvement in Health Act 2007 states the third sector should expect three year funding arrangements. Short term contracting makes capacity building and long term planning difficult. More importantly, the uncertainty and change resulting from short term contracts for some services can have an adverse effect on users, particularly where providers need to build relationships with users.

Third sector organisations spend a large proportion of time and resource writing and reviewing bids. Those who work for third sector organisations are subject to a series of short-term contracts, which lower morale and harm an organisation's ability to recruit and retain highly skilled, professional workers. A recent report by the union Amicus shows job insecurity caused by funding pressures and short-term contracts in the third sector means staff turnover in the sector is unnecessarily high: on average one fifth (21 per cent) of all employees in the sector left their jobs last year the national average for all jobs is 16 per cent. As a result

approximately 77 per cent of third sector organisations have experienced retention difficulties in the past year.<sup>6</sup>

The decisions on contract length are made by individual commissioners and not central government. The priority for the Office of the Third Sector, therefore, must be getting the message through to commissioners on the ground. Commissioners need to listen to this message, fully understand the impact short-termism has on market choice and innovation, and move toward three year contracting as recommended by the Office of the Third Sector, the Audit Commission, Local Area Agreements and World Class Commissioning.

## Full cost recovery

Full cost recovery is the principle that payments to third sector organisations should cover the full costs of the services they deliver. Full cost recovery means:

'Recovering or funding the full costs of a project or service. In addition to the costs directly associated with the project, such as staff and equipment, projects will also draw on the rest of the organisation. The full cost of any project therefore includes an element of each type of overhead cost, which should be allocated on a comprehensive, robust and defensible basis.'<sup>7</sup>

Government committed to this principle in HM Treasury's 2002 cross cutting review when it asserted that by April 2006, all departments would ensure "that the price for contracts reflects the full cost of the service, including the legitimate portion of overhead costs".<sup>8</sup>

The government reinforced its commitment to the principle of full cost recovery in further guidance on funding practices in 2006:

'There is no reason why service procurers should disallow the inclusion of relevant overhead costs in bids. Furthermore, funders or purchasers should not flatly reject or refuse to fund fully costed bids.'<sup>9</sup>

The experience of most third sector organisations suggests that the statutory sector is still falling well short of this objective with 68.2 per cent of third sector organisations in London agreeing that public sector contracts rarely offer full cost recovery. A recent National Audit Office report on full cost recovery

<sup>6</sup> People Count Survey, 2006.

<sup>7</sup> <http://www.fullcostrecovery.org>

<sup>8</sup> <http://www.homeoffice.gov.uk/documents>

<sup>9</sup> HM Treasury, Improving Financial Relationship with the Third Sector: Guidance to Funders and Purchasers, 2006.

outlines the risks of failure to meet full costs - both short term risks to the quality and effectiveness of underfunded services, and longer term risks to the sustainability of the service and provider base. The report found commissioners do not dispute the fairness of full cost recovery but expressed concern about the principle being converted into practice.

Third sector organisations may be reticent about seeking full cost recovery for a number of reasons. They may want to deliver a service beyond the contract specification and supplement the contractual income with their own money for fear they may price themselves out of the market if they include full costs. Likewise, commissioners may view the practice as a way of delivering services at lower cost, citing other charitable funding flows in mitigation.

Whatever the motivation, this practice does not demonstrate a professional approach to commissioning and competitive tendering. HM Treasury goes further and states that a third sector organisation unwittingly subsidising a public service is unlikely to represent good value for money, particularly in the long term. Third sector organisations have responsibility to understand their own costs and reflect them in their bid.

## Resources

Commissioners balance the pressures of time-limited budgets and strategic commissioning. The status quo clearly favours large organisations which have the resource and expertise to develop in-depth quality and evaluation systems and provide multiple services across primary and secondary care services. Larger organisations are able to offer a 'bundle' of care across different services, which may find favour with hard-pressed commissioners. There is evidence that larger contracts are starting to include options requiring local subcontracting of specific service elements to help develop local capacity but these need to become more commonplace.

Commissioning is a highly complex process and it demands the balancing of divergent needs, knowledge, and experience. The language of professionals often includes esoteric and specialist concepts; this is not exclusive to commissioning but is demonstrated by enduring confusion surrounding the meaning of commissioning itself. The absence of a commonly understood language can lead to alienation, disengagement, confusion and the failure to achieve desired outcomes. Local commissioners must ensure that potential providers of services share the same understanding of the terms they are using.

## Improvement and innovation

World Class Commissioning takes a strategic and long term approach to services, with a clear focus on delivering improved health outcomes. The intention is to shift from quantity of service or output measure to focus more on outcomes but this is more difficult to deliver than to describe. Output measures are traditionally used because they are easier to generate. World class commissioning requires a more sophisticated approach.

Commissioners must be outcomes focused, particularly when commissioning mental health services, and services for those with long-term conditions. Commissioners of mental health services for those with acute depression, for example, should consider how best to measure the effectiveness of a service: it is unsatisfactory to measure a service's success by the number of users who return to work within a twelve month period.

Commissioners and providers must work together to agree a definition of outcomes. These will vary from sector-to-sector and service-to-service. This is an area where niche third sector organisations with a detailed understanding of specific conditions and client groups can make a valuable contribution.

### SANE and East London PCT

SANE has been commissioned by an East London PCT to review the provision of crisis service support needs following a PCT audit which revealed the principal area of concern of suicide amongst men. SANE provided the PCT with a proposal emphasising the promotion of crisis support services within the borough. This will be achieved through presentations to specific local agencies.

The PCT commissioners recognise SANE's specialist knowledge - gained through working with mental health service users - provides a great platform on which to found research to support ongoing service development. Through partnership building, SANE has been commissioned to expand the outreach of their crisis services within the area and to undertake a social action research project which will help the PCT with future suicide prevention strategy.

## RNID and Kingston PCT Hearing Aid support service

Kingston PCT conducted a user consultation of people with hearing loss. The majority of hearing aid service users are over 70: once they have been issued with a hearing aid, follow up and support services are required for the rest of a person's life. It was evident from users' feedback that some clients felt their needs were not being met: people wanted easily accessible local support and better links to other services, most notably the equipment service provided by social services. Users felt the current service was not addressing their needs.

Kingston PCT produced a consultation document in response to the feedback from service users and set up a stakeholder group. The stakeholder group comprised Kingston Age Concern, Local Authority Sensory Group, Audiology Department and Kingston Community Voluntary service. The group produced and commissioned a pilot service from RNID which will address the issues identified by service users.

Putting People First, the concordat between government and the care sector on the transformation of adult social care, sets out how the personalisation agenda will give users greater choice about their care. As the agenda advances, the role of advocacy and support brokerage will become increasingly important. To deliver this agenda, many councils have commissioned support organisations to help service users handle these responsibilities.

Commissioning plays a major part in the personalisation agenda; this ranges from the responsibilities of councils for the well-being of communities to ensuring the right supply of local services. World Class Commissioning for social care is at the heart of shaping communities. Commissioners should ensure the planning and development of all services consider the implications for people with care and support needs. There needs to be a local set of suppliers offering a range of services and an approach to services that helps users make a real choice. Commissioners need to focus on ensuring

there is sufficient supply of a range of services, including services that help people navigate the market themselves. The personalisation agenda has a focus on outcomes, therefore the relationship between the commissioner, service user and provider should share the same focus. Councils and PCTs need to consider how they will work together with local providers to deliver this agenda.

### Decommissioning

World class commissioning requires PCTs to demonstrate that they can stimulate the market, manage the local health system and make sound financial investments. There are questions over whether this can be achieved without decommissioning. However, according to a recent survey by the Health Service Journal, two out of three primary care trusts failed to decommission any services last year. Decommissioning services is always challenging and often meets with opposition, regardless of their quality.

Decommissioning a service is usually a last resort as it is more productive for commissioners to work with providers to agree standards and goals that improve quality and efficiency. The danger is that inertia sets in. It is essential commissioners look to understand the source of people's resistance to decommissioning and uncover their motivations and anxieties. The third sector has excellent relationships with service users and can be helpful in disseminating information about how and why a service is being decommissioned. The third sector can also engage with commissioners to look at why a service failed to deliver the prescribed outcomes and how the service design or specification can be amended to ensure the best possible delivery.

### BME sexual health organisation and local PCT

An award-winning BME organisation working on HIV and sexual health issues had received funding from the same London PCT for 10 years in a row. The organisation was waiting for clarity on the next year's funding arrangement and chased for confirmation from the PCT. Despite these efforts they were not told until June that their funding had been terminated in April that same year.<sup>10</sup>

<sup>10</sup>NVCO, <http://www.ncvo-vol.org.uk/compactadvocacy/information/index.asp?id=1951#bme>

# Commissioning from the Private Sector

While this report is primarily about commissioning from the third sector, the Government's policy agenda of contestability - or the opening of markets for public services to new suppliers - applies equally to the private sector. Recent changes for Local Area Agreements as part of the new Local Government and Public Involvement in Health Act 2007 means there is a new focus on involving the business sector. Service users do not always know who provides the services they use and it is clear that many do not care; users want quality services that are effective and work for them. If commissioners are seeking a greater role for the private sector on service delivery, there is a need for consistency of purpose: instability and uncertainty in the market place adversely effect private sector involvement. In practical terms, the commissioning of third sector organisations is no different to private sector providers: poor commissioning processes and project management have an adverse affect on service delivery.

Poorly specified contracts produce inferior services. The private sector has more resource and experience at its disposal than medium and smaller third sector organisations when bidding for contracts. However poor service specification and ambiguous objectives could discourage some potential providers from competing. Uncertainty surrounding successful delivery adversely effects private sector involvement. Commissioners must ensure contract objectives are clear and consistent and outcomes are clear, demonstrable and measurable. This is most important for the biggest contracts since it is only large organisations which are able to compete.

It is the responsibility of local commissioners to explore the demands and needs of local people. The private sector has a wealth of experience in sophisticated needs analysis. Working together with the private sector, commissioners can learn from their experience about the use of social marketing, market research, in-depth public surveys, and other predictive analytical techniques. This is well illustrated by the joint working of the Department of Health and Association of the British Pharmaceutical Industry toolkit.

## Joint Working

The different cultures of the NHS and the pharmaceutical industry can lead to differences in attitudes and behaviour. Just as with the public sector and the third sector, attitudes can be stereotypical and unproductive. Suspicion of the pharmaceutical industry continues to persist though attitudes, and indeed practices, are changing. There has been considerable organisational change within the pharmaceutical industry itself with much greater emphasis on the development of services as well as products. Old industry perceptions of the NHS as disorganised, obstructive and mistrustful are also changing.

The NHS and pharmaceutical industry share a common agenda to improve patient outcomes through high quality and cost effective treatment and management. This common agenda is best achieved through working together to ensure that patients get optimal care, including appropriate use of cost-effective innovative medicines, with support to help them maximise the benefits of treatment.

This is reflected in the publication in March 2008 of the Department of Health and the Association of the British Pharmaceutical Industry (ABPI) joint working scheme. The scheme is aimed at promoting and supporting joint working between PCTs and the pharmaceutical industry through information and knowledge sharing. The scheme brings additional resource to PCTs as commissioning plans are developed, which are designed to compare patients' conditions and needs against the treatment they receive. The scheme will also allow pharmaceutical companies to deepen their knowledge and understanding of how they can help other NHS organisations.

The time pressures and skill gaps identified earlier mean commissioners increasingly need external expertise. By working together with private sector organisations commissioners can supplement their own skills and resources and can provide benefits that are not otherwise achievable.

## Haringey Teaching PCT

Using the DH/ABPI toolkit, an innovative, long term conditions pilot programme was launched in 2004 by Haringey Teaching PCT and Pfizer Ltd to provide person-centred, telephone-based support for 600 patients with diabetes, heart failure and coronary heart disease. The project aimed to support patients and encourage them to take a more informed and active role in their healthcare.

A team of dedicated care managers provided assessment, care planning, regular coaching and support for patients based on their individual needs, signposting them to other services as appropriate. The team used decision support software to facilitate proactive communication with patients, which also provides and records information for ongoing care management. This software was developed by Pfizer Health Solutions Inc., customised to local guidelines and care pathways and approved by the Clinical Reference Group. It is hoped that through regular communication, patients will become

more successful in managing their condition and improve their clinical outcomes and quality of life, while reducing the demands on local health services.

The programme was funded equally by the Department of Health and Pfizer Ltd. Implementation was managed by a Project Board and Project Team comprising representatives from Haringey Teaching PCT, the two local acute trusts, Pfizer Health Solutions Inc. and Pfizer Ltd. There was extensive consultation and involvement from representatives covering most aspects of patient care in Haringey and an independent Clinical Reference Group of local clinicians was also set up to agree and approve all clinical and patient materials in the programme.

The programme was conducted as a randomised controlled trial, with the evaluation overseen by an Evaluation Steering Committee, which included an independent external evaluator and independent statistician.

## Association of British Pharmaceutical Industry

"There's much more to joint working between the private and public sector than sponsorship alone. It's about providing industry skills, experience and resources to improve the quality and value of public services and of course - the service user's experience. Government and industry are increasingly recognising the value of such partnerships, with the Department of Health and Association of the British Pharmaceutical Industry (ABPI) publishing a joint working toolkit detailing best practice earlier this year. In the case of the pharmaceutical industry working jointly with the NHS, it's not just the patients who stand to benefit. The health service, health care professionals and pharmaceutical

companies all have much to gain from partnership working. What the private and statutory sectors can bring to the joint-working partnership is invaluable. These companies will have an extensive understanding of their products or services and how they work in practice. As a result, they can offer first rate assistance to public sector professionals in terms of providing detailed and comprehensive information, skills and knowledge at a variety of levels."

**Martin Anderson, Director of NHS Policy and Partnerships**

# Conclusions and Recommendations

Commissioning from the third sector is still under-developed but will increasingly play a role in the future delivery of public services: local authority and PCT commissioners will be at the forefront of these developments. Commissioning strategies launched by the Office of the Third Sector and the Department of Health offer clear insights into how government expects future commissioning activity to take place. Consequently these strategies and the eight principles of good commissioning must be fully utilised to underpin future commissioning activity.

Commissioners recognise that the third sector makes a positive contribution to the commissioning process and third sector organisations are eager to be involved, but this has yet to be translated fully into practice. Our report has highlighted the continuing barriers to third sector involvement.

As our report shows, the eight principles of good commissioning are not unique to commissioning services from the voluntary sector. Good commissioning practice is likely to deliver benefits in all sectors, including the private sector.

There are tensions to resolve in commissioning, notably concerning contestability and value for money: commissioners are asked to ensure fair competition and make sure the third sector can compete, and to make efficiency savings and build capacity for the future.

Development of commissioning practice that fosters innovation and user and provider involvement does not happen quickly. The examples of good practice cited in this study have taken in excess of three years to establish, develop and maintain and have only occurred with the full support of commissioners, strategic managers and organisation leaders.

Below we outline a number of simple steps commissioners and third sector organisations can take to improve commissioning in the London. Each of our recommendations reflects the values of the eight principles of good commissioning and the strategic and long-term approach set out in World Class Commissioning.

## Commissioners

### **Relationship Building and Involvement**

Hold regular workshops, round table discussions and providers' forums early on in the commissioning process to encourage third sector organisation involvement. These meetings will provide an excellent opportunity for commissioners to hear about innovative projects going on in the local area and for third sector organisations to provide feedback on commissioning strategies, existing service provision and users' needs. Involving third sector organisations early on in the commissioning process will help with service design and highlight any problems with specification of the commissioning round.

### **Contracting**

Commissioners should give thought to reviewing their contracting procedures and consider introducing model business questionnaires and contracts for low risk, low value contracts. They should also ensure decision-making is timely and feedback is available, wherever possible. Three year contracts should be the norm.

### **Full cost recovery**

Commissioners should ensure that prospective service providers submit robustly costed proposals including all legitimate overheads.

# Third Sector Organisations

## Evidence of added value

Third sector organisations should include evidence of added value in their bids for service contracts; assertion is not enough. World Class Commissioning indicates that business cases will be assessed according to financial viability, risk, sustainability and alignment with commissioning strategy.

## Partnerships or consortia

Developing partnerships with other organisations would be a means for third sector organisations, particular medium and smaller organisations, to access contracts that might otherwise be out of their reach. Umbrella organisations can be well placed to link potential partners as well as share learning and good practice across the third sector. For organisations that would like to compete with private sector providers for large-scale contracts, the Consortia Fund, launched by Futurebuilders, can help increase capacity through consortia and joint ventures.

## Research and development

Councils for Voluntary Service provide excellent ranges of information briefings, policy and research information which may prove useful to third sector organisations, particularly smaller organisations. Organisations should use CVS to provide support around research and development and in demonstrating added value.

## Realistic targets

Third sector organisations involved in the commissioning process should ensure they negotiate realistic targets. The full cost of achieving targets should be reflected in the bid. If there is a problem with the targets, they should be discussed with commissioners who may be unaware of any problems associated with delivery.

## Appendix A

# Methodology

The data collection of the study comprised four main elements:

- **Policy and practice literature review;**
- **A collation of the views of the London Health Forum membership;**
- **Project group of voluntary and private sector stakeholders and health service commissioners;**
- **London specific data provided by Shared Intelligence.**

An extensive literature review has informed this report and framed our approach to analysis and examination of the commissioning process.

Our membership has provided us with examples of good and bad commissioning practice and innovative services.

Early in the project we held a seminar for commissioners and voluntary and private sector

providers to discuss the commissioning of services and explore key issues in more depth.

The statistical data used in this report has been disaggregated from datasets used in the *Evaluation of the National Programme for Third Sector Commissioning : Baseline Report* published by the Office of the Third Sector in 2008 and was kindly provided by Shared Intelligence.

The original data collection method involved sending separate surveys to commissioners and third sector organisations. A snowballing method was used to distribute the survey and a total of 162 responses were received from commissioning organisations and 417 responses from third sector organisations. A breakdown of those responses from London shows there were 30 responses from commissioners and 71 from the third sector. Whilst the Forum is aware the numbers for London are relatively small, we are confident they are statistically valid and offer a fair reflection of the status of commissioning in the capital.

# Eight Principles of Good Commissioning

In 2006, alongside the Pre-Budget Report, the Cabinet Office published *Partnership in Public Services: An action plan for third sector involvement*. This action plan sets out the steps government has already taken to support third sector involvement in public services and the steps that will be taken in the future. A key theme to emerge from the plan is the National Programme for Third Sector Commissioning, which aims to embed the Eight Principles of Good Commissioning:

1. Understanding the needs of users and other communities by ensuring that, alongside other consultees, you engage with third sector organisations as advocates to access their specialist knowledge;
2. Consulting potential provider organisations, including those from the third sector and local experts, well in advance of commissioning new services, working with them to set priority outcomes for that service;
3. Putting outcomes for users at the heart of the strategic planning process;
4. Mapping the fullest practical range of providers with a view to understanding the contribution they could make to delivering those outcomes;
5. Considering investing in the capacity of the provider base, particularly those working with hard to reach groups;
6. Ensuring that contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including considering sub-contracting and consortia building, where appropriate;
7. Ensuring long-term contracts and risk sharing, wherever appropriate, as ways of achieving efficiency and effectiveness; and
8. Seeking feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs.

In February 2008, the Office of the Third Sector and the Improvement and Development Agency (I&DeA) published *Evaluation of the National Programme for Third Sector Commissioning: Baseline Report*, which provides a baseline against which change can be measured over the course of the third sector commissioning programme. The report uses quantitative surveys of commissioning and third sector organisations to explore current practices and attitudes to third sector involvement in public service commissioning. The London Health Forum has disaggregated the data used in this report to look at current practice and prevailing attitudes to third sector commissioning in London in relation to the eight principles set out above. The following section looks at each of the principles in turn and identifies where problems exist.

Third sector organisations are regularly involved in at least one part of the commissioning cycle; however, the eight principles of good commissioning have yet to be fully integrated into practice. Third sector organisations are best placed to generate social capital, lever additional income and provide various other unexpected yet tangible benefits.

Commissioners and third sector organisations were asked whether they were aware of the eight principles of good commissioning developed by the Office of the Third Sector. 69.2 per cent of third sector organisations in London who responded to the survey were not aware of the eight principles of good commissioning and 75.2 per cent of commissioners said that they were not aware, or did not know if they were aware, of the eight principles developed by the Office of the Third Sector.

Commissioners were then asked whether they had used any of the eight principles of good commissioning to inform and develop commissioning practices, procurement practices and training and development. Only just over a quarter - 28.6 per cent - of commissioners had used some or all of the eight principles to inform and develop their commissioning practices.

# 1. Engaging with third sector organisations

**Principle One : Understanding the needs of users and other communities by ensuring that, alongside other consultees, you engage with third sector organisations as advocates to access their specialist knowledge.**

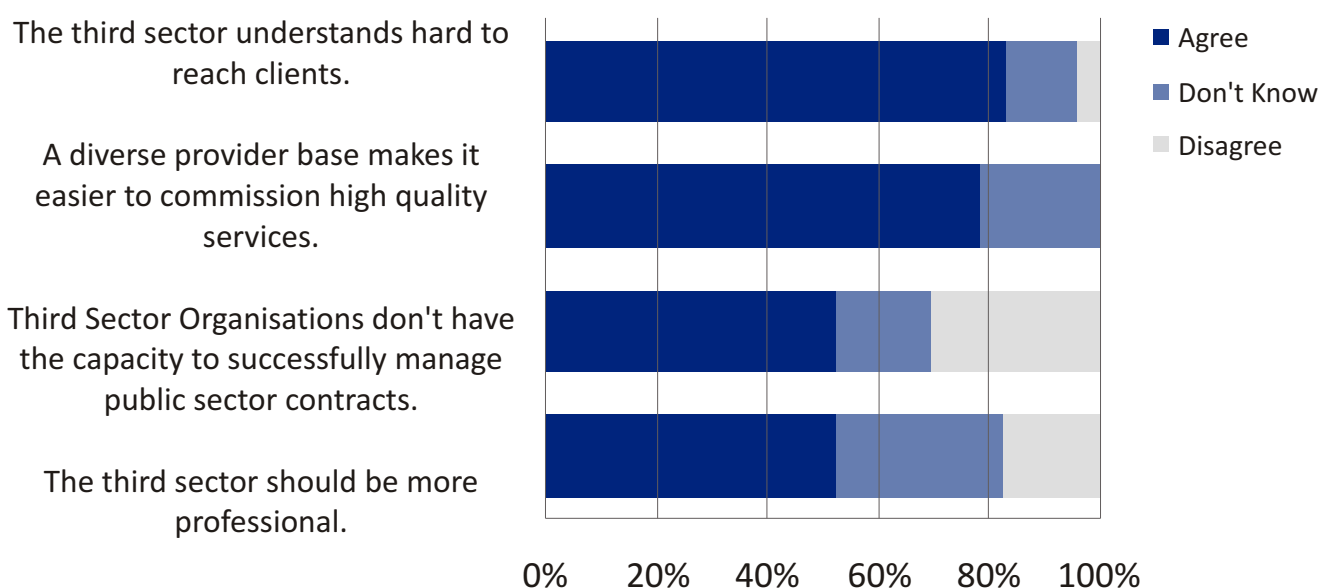
The first principle states good commissioning is founded on a real understanding of the needs of the target population. Research shows that whilst 82.6 per cent of commissioners in London agree the third sector understands hard-to-reach groups, only 29 per cent of them always consult third sector organisations at an early stage in the commissioning process. These figures generally mirror the national statistics where 87 per cent of commissioners agree the third sector understands hard-to-reach groups and 21 per cent say they always consult third sector organisations at an early stage of the process.

Research also shows the most common ways of involving third sector organisations are through consultation and local strategic partnerships, and that larger organisations are more likely to be involved in the process than smaller ones. 54.8 per cent of third sector organisations have been involved in service planning and needs analysis within one of two service specific consultations and 51.6 per cent have been involved through local strategic partnerships or as part of the Local Area Agreement (LAA).

Whilst the number of commissioners who consult third sector organisations at an early stage in the commissioning process is very low, the research does indicate that commissioners are aware the third sector has valuable knowledge and expertise which can help frame their understanding of users' needs.

65.2 per cent of London commissioners said that third sector organisations have a unique way of delivering services. Our research suggests commissioners value the contributions of the third sector as advocates and for understanding hard-to-reach groups. An overwhelming majority of commissioners 78.3 per cent said that a thriving third sector was beneficial to their organisations and that a broader provider base makes good commissioning easier. However, commissioners have yet to be convinced of the third sector's ability to deliver. Whilst only 13 per cent of commissioners view the third sector as amateurish, 52.2 per cent of commissioners agree the third sector organisations should be more professional. 54 per cent of third sector organisations said they feel patronised by the public sector, and believe that the public sector sees them as amateurish.

**Commissioners' views on Third Sector Organisations' involvement in commissioning**



## 2. Setting priority outcomes

**Principle Two : Consulting potential provider organisations, including those from the third sector and local experts, well in advance of commissioning new services, working with them to set priority outcomes for that service.**

58.4 per cent of commissioners in London said that they involve third sector organisations at an early stage in the commissioning process always or often; this is nearly ten per cent higher than the national figure of 49 per cent. Only 4.2 per cent of commissioners said that they never involve the third sector at this point in the commissioning cycle. 52.4 per cent of third sector organisations in London believe that public sector commissioners do not understand the contributions that they can make in planning and delivering public services.

There are a number of ways in which commissioners involve the third sector in the planning of services and needs analysis. However, when third sector organisations are involved, they feel their contribution is not valued by commissioners. Of the third sector organisations in London who took part in the study, none of them strongly agreed that public sector commissioners understand the contributions the third sector can make in planning and delivering services. In fact, 52.4 per cent third sector organisations disagreed with this statement.

## 3. Outcomes and strategic planning

**Principle Three : Putting outcomes for users at the heart of the strategic planning process.**

Principle three encourages commissioners to move from output measures such as the number of beds or hours a service operates as the basis for service specifications, to focusing on the outcomes or benefits a service provides for its users. 41.7 per cent of

commissioners in London said they most often use outcomes as standards when commissioning services, compared to 33.3 per cent who said they use outputs as a base for commissioning services.

## 4. Mapping local providers

**Principle Four : Mapping the fullest practical range of provider base, particularly those working with hard-to-reach groups.**

In London, 60.9 per cent of commissioners said that they were aware of the range of potential providers in their area to a fair extent, but only 30.4 per cent were aware to a considerable extent.

National research shows PCTs were the least aware of the range of providers in their area, with only 13 per cent of PCT commissioners having considerable knowledge. It is reasonable to suggest that London's performance would be comparable.

The extent to which mapping has taken place across London is variable; only 8.7 per cent of commissioners said that they have carried out a mapping exercise within the last year. 26.1 per cent of commissioners have mapped providers over a year ago. Most surprisingly, 43.5 per cent of commissioners in London did not know whether local providers had been mapped or not. This figure is particularly startling considering 83.4 per cent of respondents describe their main area of responsibility as strategic decision making, service planning, procurement or third sector liaison.

78.3 per cent of London's commissioners agree or strongly agree that access to a diverse provider base makes it easier to commission high quality services. This shows commissioners recognise the potential value of mapping local service providers. The Audit Commission has, however, found commissioners and providers have a limited understanding of the amount of competition in their service area.

## 5. Investing in capacity building

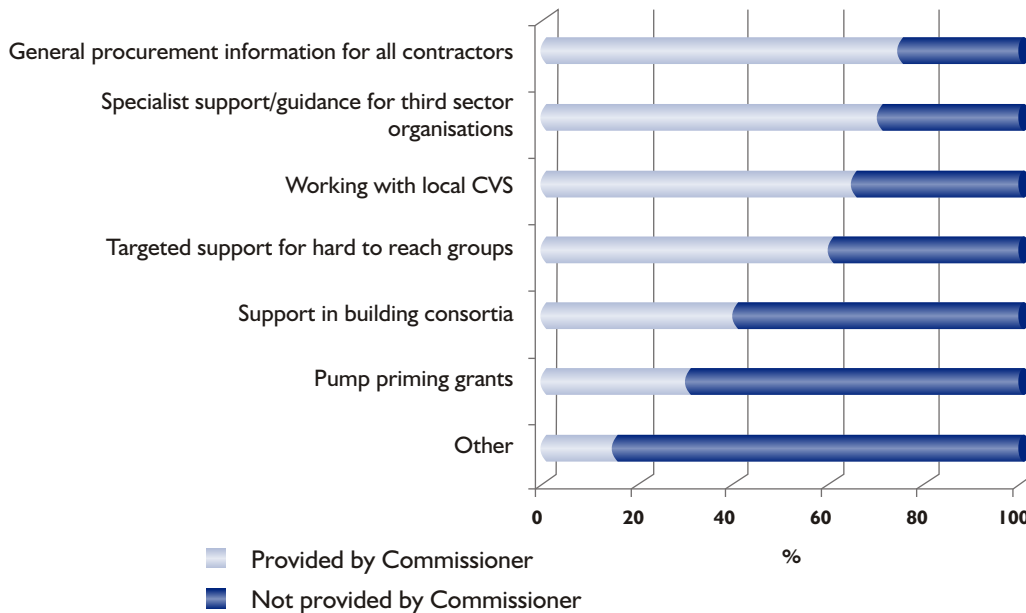
**Principle Five : Considering investing in the capacity of the provider base, particularly those working with hard-to-reach groups.**

47.8 per cent of commissioners in London offer support in building the capacity of providers on a regular basis, and a further 34.8 per cent of commissioners say they have offered support in capacity building in the past. The most common method of support is the provision of general procurement information for all contractors (75 per cent) and specialist guidance and support for third sector organisations (70 per cent). 60 per cent of commissioners in London target support to organisations working with hard-to-reach groups and 65 per cent build capacity through working with their local Council for Voluntary Services.

However, when asked how helpful third sector organisations found the support offered by commissioners, only 16 per cent felt that it was very helpful. 36 per cent of organisations in London felt the support was fairly helpful, and the same figure were unsure or did not know how helpful it was. It is clear some commissioners do offer support to the third sector to build capacity, however the quality and effectiveness of the support is questionable.

Among third sector organisations, 44.8 per cent have never received any capacity building support around commissioning, and only 1.5 per cent of respondents have regular forms of support.

### Forms of capacity building support



## 6. Fair and transparent contracting

**Principle Six : Ensuring that contracting processes are transparent and fair, facilitating the involvement of the broadest possible range of suppliers, including considering sub-contracting and consortia building.**

The principal mechanism through which public service commissioners engage third sector organisations to deliver public services is competition for contracts. There is scope for public service contracts to be allocated without competition. However those circumstances are limited and unlikely to change due to EU procurement regulations.

The Office of the Third Sector's action plan aims to work towards creating a level playing field for all providers when bidding for contracts; research indicates third sector organisations do not feel procurement processes employed by commissioners are fair and transparent. 52.3 per cent of third sector organisations in London disagree or strongly disagree that procurement processes are generally fair and transparent; only 17.5 per cent agree procurement processes used by commissioners are fair and transparent. However as the OTS report highlights, because procurement processes are not transparent, it is difficult for third sector

organisations to know if they are fair. This was also raised by a member of the LHF working group who commented that since they did not know how decisions on contracting are made, there is a lack of clarity around how criteria in the bidding process are weighted. It is suggested that this lack of transparency may go some way to explain why some third sector providers do not include full cost recovery in their bids.

Third sector organisations face particular disadvantages which are inherent in the contracting process and 65.2 per cent of commissioners agree the bureaucracy around the procurement process is difficult for third sector organisations to negotiate. There are concerns that commissioners employ perverse practices, including short-term contracting and denial of full cost recovery, which make it

difficult for the third sector, particularly smaller third sector organisations, to compete for contracts.

85.5 per cent of third sector organisations in London say they work, or have worked in partnership with other third sector organisations or in a consortium of different organisations when bidding for or delivering public services. Only 22.6 per cent of third sector organisations say that they have never collaborated with other agencies before.

11.1 per cent of third sector organisations say they have received help from commissioners in consortia building and 40 per cent of commissioners say they have provided this type of support.

## 7. Long term contracts and risk sharing

**Principle Seven : Ensuring long-term contracts and risk-sharing, wherever appropriate, as ways of achieving efficiency and effectiveness.**

In London, 37.5 per cent of commissioners report the average length of a contract commissioned by their organisation was one year, compared with 33.3 per cent who report an average length of three years. The average contract length varies significantly between organisations; whilst the figures for London are not available, there is no reason to believe it deviates greatly from the national picture which shows local authorities more likely to offer contracts for three years than PCTs.

44.4 per cent of third sector organisations in London agree the delivery of services under contract requires them to take on more financial risk than they can manage and 68.2 agree public sector contracts rarely offer full cost recovery. 52 per cent of commissioners in London agree or strongly agree that the third sector should be more professional.

## 8. Assessing effectiveness and feedback

**Principle Eight : Seeking feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs.**

To review the effectiveness of the commissioning process, the final principle states that commissioners should seek feedback from services users, communities and providers. Of the third sector organisations in London, only 13.8 per cent of them say their feedback is always or often sought from commissioners, compared with 38.5 who say that their feedback is sometimes sought, and 23.1 per cent who say it has never been sought. However, 34.8 per cent of commissioners say they sometimes

seek feedback from providers, compared with 30 per cent of commissioners who say they always or often seek feedback.

The study concludes that TSOs were less likely to be involved in reviewing the effectiveness of commissioning processes than contributing to the early stages of service planning and needs analysis.

## Appendix C

Appendix C is an example of one London PCT business questionnaire for low risk bids under £100k, which would capture most small third sector organisations. Only the title page has been reproduced here: the document is 47 pages in total. It serves as an example of the barriers smaller third sector organisations face when competing for commissioning projects.

### Business Questionnaire

#### Contents

	Instructions
1.0	Basic Details of Your Organisation
2.0	Financial Information
3.0	Business Activities
4.0	References
5.0	Insurance
6.0	Quality Assurance
7.0	Health & Safety
8.0	Equal Opportunities
9.0	Environmental Management
10.0	Professional & Business Standing
11.0	Requirement Specific Questions
	Business Statistics
	Declaration

#### Additional Modules

1.0	Module 1: Additional Financial Information
2.0	Module 2: Additional Health & Safety Questions
3.0	Module 3: Additional Equal Opportunities Questions

The burden of such questionnaires would be considerably eased and their value maintained if commissioners can agree a model questionnaire which can be shared between statutory providers, across geographical and service boundaries.

The London Health Forum has been established as a coalition to promote partnership between the voluntary and private sectors with the statutory sector in addressing the unmet health needs of Londoners and pathways to best practice

**Members include:**

Age Concern;

Alzheimer's Society;

ARMA;

AstraZeneca;

BLISS;

Bristol-Myers Squibb;

4Children;

Council for Ethnic Minority Voluntary Organisations;

Diabetes UK;

emPOWER;

Merck Sharp and Dohme;

RNID;

SANE;

Sanofi Aventis;

St Giles Trust;

Terrence Higgins Trust;

The Stroke Association;

Turning Point;

Wyeth.

The London Health Forum is chaired by Nicola Horlick, the well-known fund manager.

## **CEMVO, Hashmukh Pankhania, Chief Executive**

The third sector has a vital role to play in local service provision because of its specialist knowledge of the needs of local communities. People from ethnic minorities and other marginalised groups often experience health inequalities and voluntary groups are best placed to address these issues. Investment from the statutory sector through commissioning will have maximum impact for these hard to reach communities as providers will be able to bridge the gap between mainstream health service provision and the needs of the population.

## **St Giles Trust, Rob Owen, Chief Executive**

St Giles Trust recognises the enormous impact of prison on the health of offenders and their families. We are developing services to improve outcomes in London and elsewhere. This will require a strategic relationship with commissioners based on a shared understanding and willingness to invest in capacity over a period of years rather than months.

## **SANE, Richard Colwill, Director of Media and Communications**

SANE as a patient advocacy organisation, has a deep understanding of the experiences of mental health service users through its telephone, email and internet support services. The views of the tens of thousands of people who contact us are also enhanced through SANE's Service User Group. Amongst those who expressed an opinion on NHS services to our helpline, almost half said they were dissatisfied. Their concerns included access to appropriate services during times of crisis, and the lack of choice and involvement in devising care plans. SANE represents a valuable, independent resource for NHS trusts keen to improve service delivery.

## **Terrence Higgins Trust, Peta Wilkinson, Executive Director of Service Delivery and Development**

Terrence Higgins Trust works with Local Authorities and PCTs to deliver a wide range of sexual health and HIV services in London and across the UK. We're particularly well-known for our work with gay men, people living with HIV, African communities and young people: all groups that are often less likely to use traditional statutory services. By working with us, commissioners get an innovative, high-quality service that's tailored to meet their needs, all at excellent value for money.

## **Turning Point, Lord Victor Adebowale, Chief Executive on Rightsteps**

The aim is to support people "upstream", thereby preventing deterioration in their lives: for example around housing, debt, unemployment and relationships. Rightsteps uses the best of the private, statutory and third sectors, playing to their respective strengths. It also allows commissioners to choose those elements which most benefit their locality and gel best with existing services.