

## Sustainable Commissioning Model – briefing

June 2008

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### **Introduction**

**nef** (the new economics foundation) was commissioned by the London Borough of Camden, through the *Invest to Save Budget* project: 'Third Sector<sup>1</sup> Service Delivery in Camden', in June 2006. The key objective of the 3 year project is to develop and pilot a new 'Sustainable Commissioning Model' (SCM) that:

- Is *outcome* focussed, and captures the value of outcomes created by commissioned services at both the service-level *and* wider community –level, including economic, environmental and social outcomes (the 'triple bottom line')
- tracks the value to the service, council and wider public sector of the achievement of these outcomes

Specifically, the SCM should help public sector organisations to:

- Better understand the longer term impact of their spend and identify ways in which more sustainable, joined-up procurement can help their triple bottom line objectives (positive social, economic and environmental outcomes)
- Stimulate innovation amongst providers of services (whether third sector, independent or in-house) related to the delivery of the organisations' social, economic and environmental goals (e.g. for a local authority those detailed in the Community Strategy and the 198 national local indicators.)
- By recognising the importance of wider community and social outcomes, increase the opportunity for third sector organisations, service users and communities to be involved in design and delivery of services – 'co-production'.
- Achieve their sustainable procurement objectives, as outlined in 'Procuring the Future: The Sustainable Procurement Action Plan'.
- Align their spending with the Sustainable Communities Act which gives additional devolved powers to local council representatives to solve the problems within their local communities.

Camden is currently piloting the SCM with two competitively tendered services in their Adult Social Care directorate and plans to roll out the SCM across all future adult social care and Supporting People contracts. The SCM is also suitable for use with the procurement of products or capital projects as well as human services. Below is a summary of the work **nef** has completed and the progress to date.

### **The Sustainable Commissioning Model (SCM)**

The SCM contains two key elements:

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<sup>1</sup> The Third Sector includes all 'not-for-profit' or 'social economy' organisations

1. An Outcomes Framework to ensure social, economic and environmental impacts are accounted for in the tendering process and delivery
2. A Valuing model (in development) which tracks social, economic and environmental outcomes and includes a financial savings component

Together, these two components create an outcomes focussed performance management approach which is embedded throughout the commissioning and procurement process through to contract management.

### **1. The Outcomes Framework**

The Outcomes framework (Fig 1) enables service providers to more effectively demonstrate how their service model (their activities and outputs) delivers the positive outcomes commissioners, the council and service users are seeking.

Rather than demanding precise activities and outputs from providers, the framework encourages innovation by allowing providers to explain how their activities and outputs will achieve named service level and wider outcomes identified by the Council. Hence, in the invitation to tender sent out to providers, the activities and outputs sections (columns 1 and 2) are left blank for providers to make their case.

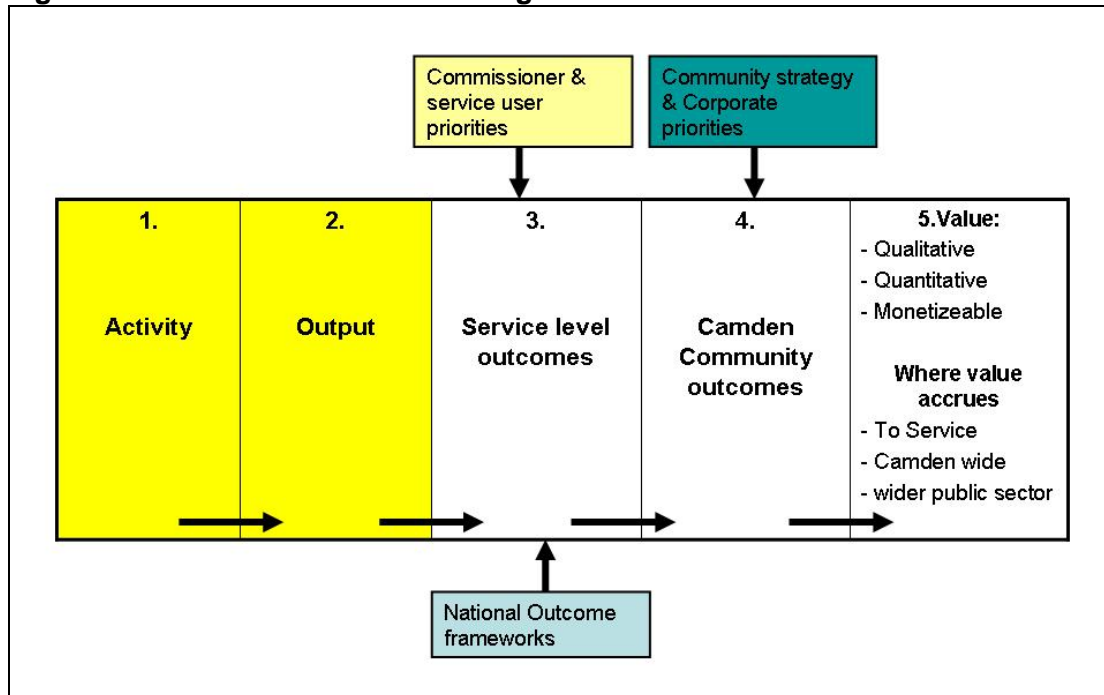
The service level outcomes (column 3) should be drawn from national policy priorities, commissioners' priorities and the needs of service users. The council's 'Community outcomes' (column 4) are the Council and its partners' wider priorities, drawn from Camden's Sustainable Community Strategy (SCS), Camden's Corporate Plan and the Local Area Agreement.

### **2. The Valuing Approach**

Once the tender has been awarded, progress towards these service-level and Camden community outcomes should be measured and the impact (in terms of monetary and other value for the service, the Council and the wider public sector) calculated through a valuing approach (column 5). Within this model value is measured in both qualitative, quantitative and monetizeable terms, including cost savings. Value will not just accrue to the service, but also across the Council, the Council's partners in Camden community and to the wider public sector.

The valuing approach should be built into the performance management of the contract so that achievement of indicators and outcomes is explicitly tied to value. **nef** is currently developing the valuing approach for use with the mental health contract.

**Figure 1: Sustainable Commissioning Model: Outcomes Framework**



## **Policy implications of the Sustainable Commissioning Model**

### **Capturing value and efficiency**

The current system of monitoring within local authorities is focused on achieving targets or savings at the *service level* itself. Wider value created across other council budgets (e.g. reduction in temporary housing costs or landfill costs) or the wider public sector (e.g. tax taken from employment outcomes, or disability allowance saved) is not taken into consideration.

The savings component of the Valuing Approach can help the council understand more effectively the impact of its spend across a defined locality. It can also support commissioners move towards the pooled funding model being introduced through Local Area Agreements and should help better demonstrate area-based impacts which will be sought under the new Comprehensive Area Agreements.

The savings component of the Valuing Approach will enable the council to consider the longer-term value of its commissioning decisions. It could be of specific benefit to certain kinds of social services, specifically those like mental health or children's services, which take many years before significant improvements in the well-being of service users can be established.

In its broader frame, The Sustainable Commissioning Model could help local authorities develop their understanding of the value associated with preventative interventions and build this in to their 'Value for Money' criteria and their evaluation of the impact of services. The table below illustrates some of the financial savings that can be associated with achieving positive outcomes in a mental health context. It is important to note however that value created is not limited to savings.

Outcomes	Indicators	Savings (costs associated with mental health) <sup>2</sup>
Enhanced psychological well-being	<ul style="list-style-type: none"> <li>▪ Service users report increase in well-being</li> <li>▪ Service users report reduced isolation</li> <li>▪ Service user are integrated into mainstream services and are independent of the Day care</li> </ul>	<ul style="list-style-type: none"> <li>• Increased frequency of GP contact - £127 per hour</li> <li>• Basic cost of medication £170 per year</li> <li>• Average stay in intensive care unit – c. £5,169</li> <li>• Costs of police custody per night - £363</li> <li>• Costs of an anti-social behaviour incident £204</li> <li>• Cost of children supported due to parental illness or family stress £45- £56 per week</li> </ul>
Enhanced physical well-being	Service users report eating well, reducing dependence on alcohol, drugs or smoking and taking more exercise	
Service users finding meaningful employment, training or voluntary activity	<ul style="list-style-type: none"> <li>• Number for service users finding satisfactory employment, training or voluntary activity</li> <li>• Number of service users attaining qualifications, e.g. NVQ2 or higher</li> </ul>	<ul style="list-style-type: none"> <li>• Tax and NI paid if in work at minimum wage £1,341</li> <li>• Lost economic output whilst economically inactive per week - £230</li> <li>• Incapacity benefit: £750 per claimant per month.</li> <li>• Annual benefit to society of voluntary input of 7 hours per week £1,838</li> </ul>
Better and more stable accommodation situation for service users	<ul style="list-style-type: none"> <li>• Service users claiming housing benefit without support</li> <li>• Decrease in numbers of service users who are homeless</li> </ul>	<ul style="list-style-type: none"> <li>• Average cost of each tenancy failure £2,000</li> <li>• Average cost of placement in a council staffed hostel - £484 per week; local authority group home - £202 per week</li> <li>• Complex need placements - up to £1,200 per week</li> </ul>

### **Sustainable Commissioning Model – progress so far**

nef and Camden have worked closely in partnership with Commissioners' in Adult Social Care and with mental health providers to build the SCM in to the commissioning and procurement process for the first pilot contract: Mental Health Day Care Support Services. Activities have included:

- Developing the model with third sector organisations through workshops. Providers thought the model would help them demonstrate their value and range of benefits better than more output-driven service specifications
- Commissioners developing the 'outcomes' for the service specification.
- The Council's strategy unit and procurement unit agreeing on the Camden Community Outcomes drawn from the Community Strategy
- Incorporating the new model into the Tender Schedules, weighting outcomes appropriately and including specific requirements around service user involvement or 'co-production'.
- Writing a 'How to' Guide to help other commissioners in the Council to use the new model

<sup>2</sup> Sources: Social Exclusion Unit (2004) Mental Health and Social Exclusion, Crisis (2006) Missed Opportunities, Layard, R, The Depression Report (2006)

- Embedding the approach in the Council's Contracting Toolkit
- Developing a model that shows the savings to the council overall

### **Outcomes of the first pilot**

Based on **nef**'s framework, the winning tender was a consortium of three small to medium locally based providers. The consortium was not the cheapest in price but the tender's inclusion of social, economic and environmental objectives greatly added to the quality weighting the tender received. These included:

- Commitments to involve the wider community through the use of volunteers in the provision of Day Care
- Service users would also be actively involved in the design, delivery and evaluation of services
- Catering supplies would be locally sourced making sure more of the money spent stays local for longer.
- Encourage recycling and cycling initiatives with service users and staff, contributing to Camden's environmental objectives.

The lead procurement officer in the team at Camden commented that the sustainable commissioning model complemented by the engagement workshop for third sector providers had massively enhanced the quality of tender responses and that the winning tender was the 'best I have ever seen'. Camden have entered the mental health tender for the national Care Services Improvement Partnerships Positive Practise Award and the Local Government Chronicle Sustainable Procurement Awards.

**nef** is an independent 'think and do' tank (and a registered charity) that works globally and locally. **nef** believes in a new economy based on social justice, environmental sustainability and collective well-being.

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