

## Strategic commissioning approach will deliver better local public services, says new Localis report

Local government think tank **Localis** has launched a major report, with cross party support (see quotes below), at the Labour party conference in Liverpool, describing how councils can deliver better public services by shifting towards a more 'strategic commissioning'<sup>1</sup> approach.

### [CLICK HERE TO READ THE FULL REPORT](#)

**'Commission Impossible? Shaping places through strategic commissioning'** - produced in partnership with Essex County Council and Mears – draws upon the findings of a recent survey of over 100 council leaders and chief executives carried out by Localis showing that **4 in 5 councils across England are considering taking a greater strategic commissioning role in the delivery of local public services in the near future.**

Traditionally councils have provided many of their services themselves, and although in recent years there has been a gradual move towards commissioning services from other organisations, **recent government figures show that total non-external local government expenditure is approximately £65bn<sup>2</sup>.**

But with rising demands on council services and increased pressure on budgets following cuts to central government grant, the trend towards new providers looks set to accelerate significantly – **for every council that believes more services will be delivered in-house in the near future, there are 16 more that anticipate less in-house delivery**, instead predicting a **shift in provision to voluntary organisations (82%), public sector shared initiatives (81%), SMEs (75%) and large companies (68%).**

'*Commission Impossible*' argues that local authorities have a once in a generation opportunity to dramatically improve local services by shifting to a strategic commissioning approach. The report also outlines the importance of being 'provider-neutral', focusing on the needs of local residents over and above political ideology.

A strategic commissioning approach offers substantial benefits for both councils and local residents. These include, as the report outlines, delivering services in more efficient ways, ensuring the provision of services which deliver the most important outcomes for residents, stimulating local enterprise by creating new markets (and new jobs) in the provision of local services, and an increased emphasis on the scrutiny of services.

The report offers a series of **recommendations** for central and local government, including:

- **Focus on outcomes not processes** – Central Government should promote national availability of data to compare provider performance to enable commissioners to make informed decisions. Councils should also be open-minded about who provides the services.
- **Support a thriving market for all sectors** – Central Government should support councils to open up services to all organisations including small and voluntary organisations, by evidencing social return on investment and reducing procurement barriers.
- **Redefine risk** – Councils should redefine risk to ensure that money is spent on services which deliver the long term benefits.
- **Create smarter, more flexible contracts** – Councils should 'value test' and re-negotiate their contracts more extensively.

The report has received broad support from all three main political parties, as well as councils and the private and voluntary sectors:

---

<sup>1</sup> Strategic commissioning is defined as: "The process of identifying needs within the population and developing policy direction/service models and the market to meet those needs in the most appropriate and cost effective way". See report for more detail.

<sup>2</sup> Calculated from table 3.4a, p82, 2009-10 figures, <http://www.communities.gov.uk/documents/statistics/pdf/1911067.pdf>, taking total procurement expenditure of £62.040bn, minus expenditure already delivered through external contractors (£27.364bn), plus other local government employee expenditure (£30.091bn) gives a total of £64.767bn.

**Rt. Hon. Hazel Blears MP** (who contributed the foreword to the publication, and spoke at the report launch) said:

*“By commissioning more effectively and collectively not only will councils benefit from greater efficiencies that will allow savings to be made in a difficult financial climate, but working with local people and giving them greater involvement and responsibility over the way that their money is being spent will bring together service providers and service users in partnership to drive continual improvement. The report’s conclusions are relevant for central government and councils of all political persuasions, and will undoubtedly become increasingly pertinent in the years ahead.”*

**Rt. Hon. Oliver Letwin MP**, Minister for Policy said:

*“Strategic commissioning is important for opening up public services and providing choice to service users. As the Government seeks to encourage choice, accountability, and fairness in public services, it is an important time to consider the role of local government in helping to achieve these aims. This report provides a useful analysis of strategic commissioning, and offers practical lessons for how councils can improve the lives of local residents.”*

**Lord Shipley**, former Liberal Democrat Leader of Newcastle City Council said:

*“For me, strategic commissioning is about building social capital and empowering people from all walks of life to take more responsibility for what happens in their neighbourhoods and communities. Neighbourhood councils, cooperative trading companies, mutuals and social enterprises will all prove key components of successful strategic commissioning. This report makes a vital contribution to enabling strategic commissioning to be a success.”*

**Sir Merrick Cockell**, Local Government Association Chairman said:

*“With a Government committed to decentralising power to local government and beyond, we have a once in a generation opportunity to drastically change local services for the better. As this excellent report makes clear, taking a more strategic commissioning approach can help us deliver more efficient services, better outcomes for residents as well as to support local enterprise. It offers food for thought for councils across the country, and I urge council leaders from all parties to consider its recommendations.”*

**Cllr Peter Martin**, Leader of Essex County Council said:

*‘This study of how we can commission more strategically is especially timely as councils balance tight budgets with the key agendas of decentralisation, choice and diversity. The report addresses the challenge of putting into practice the fundamentals we already know – it shows that it’s vitally important that we are really listening to what our communities need, and keeping an open mind as to how we meet that need, in order to provide the best services and the best value for money’*

**Sir Stephen Bubb**, Chief Executive of the Association of Chief Executives of Voluntary Organisations (ACEVO) said:

*“As local councils increasingly take on the role of strategic service commissioners, it is vital that they are equipped to encourage the development of diverse local markets, supporting a range of providers including those from the voluntary and community sector. Localis has produced an important and timely report which takes a fresh and constructive approach to issues around local commissioning.”*

**Alex Thomson**, Chief Executive of Localis, said:

*“Local government faces a major challenge in delivering quality services in a time of austerity. Quite rightly, many councils are thinking creatively about how they can achieve this, and adopting a strategic commissioning approach is the best way to help councils deliver better services for less money.”*

**Alan Long**, Executive Director of Mears, said:

*“Commissioning has a vital role to play in improving the quality of life for groups and individuals which is why we welcomed the opportunity to support Localis and Essex County Council in delivering this valuable report.”*

**ENDS**

---

## For more information or to arrange an interview please contact:

Dominic Rustecki on 0207 340 2660 / [dominic.rustecki@localis.org.uk](mailto:dominic.rustecki@localis.org.uk)

*Localis is an independent think-tank dedicated to issues related to local government and localism. We carry out innovative research, hold a calendar of events and facilitate an ever growing network of members to stimulate and challenge the current orthodoxy of the governance of the UK. Please visit [www.localis.org.uk](http://www.localis.org.uk) for more information.*

## Notes for Editors

1. Localis launched 'Commission Impossible?' at the Labour Party conference on 27<sup>th</sup> September 2011. Speakers at the event included Rt. Hon. Hazel Blears MP, Sir Howard Bernstein (Chief Executive, Manchester City Council) and Cllr Steve Reed (Leader, London Borough of Lambeth Council).
2. The full **recommendations** from the report are as follows:

**Address siloed nature of public services** - Central Government should offer continued support and resources for pooling budgets, data sharing across the public sector and giving councils greater financial flexibility to better reflect the long-term nature of investments in early intervention initiatives. Health and Wellbeing boards should also be given 'teeth' to enable effective partnership commissioning.

**Focus on outcomes not processes** - Central Government should promote national availability of benchmarking data on provider performance to enable commissioners to make informed decisions. Councils should be open minded about methods for achieving savings before moving to tender, e.g. new providers, local authority trading companies (LATCs), support for the Voluntary and Community Sector (VCS) or shared services.

**Support a thriving market for all sectors** - Central Government should support councils in trying to evidence social return. Councils should adopt various mechanisms to improve service design and procurement – including exploring innovative methods for supporting market and building capacity for VCS and SMEs before reaching procurement stages, and should look to utilise innovative funding models to revolutionise the way that services are delivered.

**Redefine risk** - Councils should work with partners to redefine risk, internally and externally, to ensure that money is spent on services which deliver the long term outcomes. They should amend SME risk categorisations so that small stable and profitable businesses that are high risk due to their size in relation to the contract value can still be awarded suitable contracts

**Create smarter, more flexible contracts** - Councils should capitalise more on opportunities to value test and re-negotiate their contracts.

**Redefine the roles and responsibilities of councillors and officers** - Councils should support elected members to take on a greater role as community advocates and actively encourage members to take up scrutiny roles. They should embrace the culture change towards becoming strategic commissioners through officer and member training.

**Make commissioning distinct from procurement and outsourcing** - Councils should move from transactional to transformational savings, and work collectively to promote a clear vision of what commissioning means, including how this is distinct from outsourcing

**Work towards a new, more localist, understanding of value** - Councils should continue to develop their own measures of local 'value', working together with other councils to compare and benchmark performance

**Involve communities in the commissioning process** - Councils should give greater focus to how communities and providers can be involved in the commissioning process and priority setting, and should encourage and enable residents to share information and intelligence on their experiences of services, using the feedback of others to inform choices.

## 3. Relevant Survey Results

a) *How do you currently deliver services?*

Answer Options	Response Percent	Response Count
Mainly in-house	35.0%	36
Mainly outsourced	6.8%	7
Fairly even mix	58.3%	60
Other (please specify)	0.0%	0
	answered question	103
	skipped question	2

b) *Is your council going to take on a greater role as a strategic commissioning organisation in the short-to-medium term?*

Answer Options	Response Percent	Response Count
Yes	81.6%	84
No	18.4%	19
	answered question	103
	skipped question	2

c) *As it takes on a greater commissioning role, what new skills and expertise will be required in the council (if any)? (You may tick more than one)*

Answer Options	Response Percent	Response Count
None, we have the right skills mix already	12.8%	10
More commissioning experts	69.2%	54
More procurement experts	50.0%	39
More experience of service delivery	3.8%	3
Other (please specify)	21.8%	17
	answered question	78
	skipped question	27

d) *Based on current trends, what future role do you think the following providers will take in delivering contracts/services?*

Answer Options	No contracts/services	Fewer contracts/services	No change	More contracts/services	Many more contracts/services
Large private sector companies	0	6	22	55	8
Small/medium-sized private sector companies	0	7	14	67	3
Public sector (in-house delivery)	1	80	6	5	0
Other public sector (shared services or external)	1	5	9	68	7
Voluntary and Community Organisations	0	7	8	65	11