

Commissioning Human, Social and Community Services

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Introduction

The use of commissioning models for the purposes of delivering public services is now a well established feature of public management across the OECD. Generally, moves towards commissioning, rather than direct provision, public service models commenced from the New Public Management (NPM) reform processes of the 1990's where the focus was primarily on the delivery of cost efficiencies. More recently however, Governments across the OECD have focused on the re-structuring of public services with the twin objectives of delivering higher citizen centred service levels whilst also seeking to achieve longer-term savings. This shift in focus came about as a result of a realisation that often savings under the NPM framework focused narrowly on short-term savings, sometimes to the detriment of the exchequer over the longer term.

The principal of "Contestability" is now becoming increasingly accepted in the OECD which basically calls for the organisation of public services on the basis of the best possible service level at the best possible price, where delivery on this basis can be within the public sector or based on partnerships with the private sector or social partners. What this means in practical terms is the exposure of a wide spectrum of public services or functions to competition or the creditable threat of competition. This opens up the concept that there can be a range of alternative public service delivery (APSD) models. Governments can evaluate and ultimately commission these as they determine the best possible service option for the long-term for either public services in general, or, as is normally the case, for specific public services. These models, many of which already exist across the OECD, can broadly be themed as follows:

- Maintain and improve current service platforms
- Private Service based outsourcing
- Joint Service Platforms through
 - Public-private joint ventures
 - Community based service platforms
 - Third sector/social economy platforms

-Public sector shared service (Thematic/national/regional)

-Public sector shared service (geographic/regional/local)

- Ceasing a function or service

As such governments now have a suite of public service delivery options but it is arguably true to suggest that most implementation strategies for the commissioning of services in the OECD take place in local government, health and, increasingly, education services¹.

A key aspect in each option, including those retaining a primarily public service orientation, is about shifting resources from government to non-government sectors to encourage greater risk, innovation, efficiency and growth. What this means is that, even within the framework of public service organisations retaining responsibility for direct provision, the options for outsourcing or arms length delivery can be exercised. Over all options it means that the public management framework moves from one focused on direct delivery to one focused on enabling delivery to meet politically based policy outcomes.

The non-government sectors, potentially offering partnership based service delivery alternatives, face a challenge. The traditional approach to NPM out sourcing, in the form of market based consultancy/direct function delivery, is likely to become increasingly obsolete. Processes associated with all the above options now require a shift from short-term contract "wins" to longer-term "invest to mutual profitability" or "community gain" models where the private/non government provider has to think of the level of investment required to meet the outcomes expected, the savings required as well as ensuring a return on investment for themselves². This shift is moving, slowly, investment strategies from the short-term returns of the consultancy providers towards investment returns more in line with those expected from the pension market, i.e at about levels of 25-35% of the currently expected returns in consultancy.³ Though this market investor shift comes enhanced services at reduced costs for the public sector whilst guaranteeing a positive if much reduced but long-term return on investment for the service provider, public and private.

¹ Most notably in Sweden albeit that there are concerns about potential policy outcomes

² In 2005, the government of British Columbia awarded a 10-year contract to a service provider to administer the province's medical and drug benefits programs. The contract requires the service provider to make significant capital investments to replace aging technology supporting the two programs, investments that the province retains ownership of at the conclusion of the contract.

³ For example Ontario's Electronic Land and Registration System (ELRS) is operated and maintained by a private company, Teranet who hold a contract extending to 50 years.

Providers therefore, public and private, are increasingly expected, in this new form of market place, to demonstrate:

- Investment standing including financial, operational and organisational stability over an extended period
- Risk management and sustainability over several business cycles
- Demonstrable and proven working relationships and practices across both public and private and third sector organisations
- A proven ability to manage transition BPI and the associated costs
- Market certainty and guarantees of future delivery to the government, local and national against the backdrop of change and transition within a political environment

So any move towards a fully thought out commissioning framework have to place the above factors at the heart of the framework. Hence its significance for public service reform as this means a fundamental change in thinking about how public services are designed, delivered and most importantly, accounted for.

Current tendering and procurement arrangements as traditionally set out are not necessarily fit for purpose under the above conditions and it is expected that in light of migration to such models, that a radical re-configuration of procurement arrangements will be necessary in order to move towards the expanded and generally negotiated processes envisaged within the new dispensation for alternative public service delivery.⁴

Moves towards commissioning in Ireland

Irish engagement with NPM reform has been less extensive than in most other OECD countries, particularly when compared with those that fall within the Anglo-American sphere of influence. Nonetheless, there are plenty of examples of successive governments taking ad hoc decisions where alternatives to the use of the extent public sector were chosen as a delivery model. In the local government policy arena this is most noted in regard to local development companies along with the use of Public Private Partnerships for

⁴ The UK Government has already moved in this direction. In 2010, the U.K. Minister for the Cabinet Office undertook a "Lean Review" to uncover wasteful practices and unnecessary complexity in the procurement process.

heavy infrastructure. More recently, examples of direct service out-sourcing have become common, most notably in waste management, urban regeneration etc.

However, what marks Ireland out as unusual is, arguably, the fact that many decisions to move towards alternative models were not necessarily based upon a substantive evidence based set of criteria, but more often than not were given effect to meet an immediate policy objective of a particular government department. That this is the case is acknowledged in the September 2015 Centre for Effective Services Rapid Evidence Review.

More recently however, the policy position in Ireland is moving more into line with international policy norms. Under the initial Public Service Reform Plan, 2011, the government set out to move towards national shared service arrangements for the public service generally. While international thinking had, prior to this Irish initiative, shifted from the use of (as proposed in the Plan) thematic based shared service models towards decentralised or shared public/private vehicles, the experience arising from such moves is replicated across the OECD and it does seem to be the case that the lessons learned from such moves are critical to moving into commissioning models, notwithstanding the relative lateness of Irish engagement in such reform moves.

These lessons, derived from the first reform plan, are, as of January 2014, now at the heart of public service reform in Ireland. Unusually in the Irish case, the publication of the Public Service Reform Plan 2014-2016 has radically shifted thinking so that the Government's objectives are now basically in line with what is regarded as an international norm in the use of commissioning for the alternative delivery of a public service. What is different relative to most of the rest of the OECD is the insistence on using thematic based commissioning as a preferred option when increasingly the OECD is moving or has moved to place based models.

Nonetheless, the 2014-2016 Plan now explicitly provides for the use of the options set out above, underpinning the broad objectives of individual sector reform proposals in, for example local government, and among others, *Putting People First*. So, in addition to the implementation of the shared services announced under the earlier reform plan, the Government is at least open to considering moving towards other alternatives based upon the principal of contestability (as is the case in the UK, Australia and the Nordic States) in

regard to the delivery of non-core services and potentially core services. A non-core service, under the outgoing public service reform plan, could be defined as a service which is non citizen centred such as administration, financial management, procurement etc. in other words any service which does not directly impact the specific provision of a service to a citizen.

Under the new Plan, and now seemingly open to moving in line with international trends, alternative models might also include citizen centred services that can be organised and delivered on a geographic basis (on which current international experience seems to suggest, is the more effective commissioning model) but which can use non government vehicles on the basis of a business case which meets the demands of contestability. Such vehicles could include partnerships with the private sector (presumably along the lines outlined above in regard to investment return), voluntary bodies and community groups and others in the third sector such as employee or mutually owned bodies.

What is currently missing, and again highlighted in the Public Consultation Paper issued in December 2015, is a decision making framework to enable a coordinated approach to the use of commissioning models for alternative public service delivery.

Usefully in this context and as a guide, under the 2010 UK Spending Review Framework⁵ the criteria for migration of services to arms length bodies/private providers require a business case which affirms:

1. Whether the activity is essential to meet Government priorities
2. Whether the Government needs to fund the service activity
3. Whether the activity provides substantial economic value
4. Whether the activity can be targeted to those most in need
5. Whether and by how much can the activity be provided at lower cost to that within the core public service
6. Whether the activity can be provided more effectively under the proposed model relative to other options
7. Whether the activity can be provided by a non-state provider or by citizens, wholly or in partnership

⁵ The 2010 Spending Review is seeking a 28% reduction in local government spending to 2015.

8. Whether non-state providers have to be paid to carry out the activity according to the results they achieve

9. Whether local bodies as opposed to central Government provide the activity

Outline of APSD Models

It is not the objective of this short paper to provide a comprehensive analysis of the various options open to governments, rather it is to provide an outline of what is available. It is the case that policy and project led initiatives towards the options below will require comprehensive business case development, particularly given the move towards, as is the case for local government in Ireland, a performance centred approach to achieving public service outcomes which have to be agreed with the national level.

Option1: Maintain and improve current service platforms

The automatic assumption often associated with NPM that a public service is better outsourced is no longer a valid argument. The Audit Commissions in Queensland and Ontario as well as HM Treasury urge caution in applying simplistic perspectives that are not based on evidence or on a substantial business case. Arguably, some out sourcing decisions may have been influenced by political ideology rather than on the criteria of contestability, now a cornerstone of APSD models across the OECD. In broad terms it is now increasingly recognised that simple migration to private sector vehicles may work in simple administrative based activities but in general and given the complexity of much public service decision-making (even in instances where services are universal in nature), a better option might be to seek transformation of service within an existing public service configuration.

The issue may be one of having proper management and capacity in place rather than there being a particularly significant benefit from applying a commissioned model.

Where continuous improvement is not a realistic option (now incidentally to be a statutory function of local government across the UK, replicating practices in Australia and the Nordic countries) other options become a valid platform on which to build public service delivery.

The cases in which this arises are often associated with public services challenged by having to confront severe austerity and at the same time confront the need for increased investment in staff capability and infrastructure. It also may arise in environments where

the demographic profile of a public service is such that re-configuration within the existing environment is not realistic in moving towards an outcome based service model (i.e. staff profile is moving towards retirement as is the case in Ireland).

Option2: Private Service based outsourcing

Increasingly, simple out sourcing of public services is seen as not providing a whole of public service response to meeting contestability criteria. There may be a case for the outsourcing of simple actions associated with specific or targeted public service back office delivery but increasingly this is been demonstrated as limited in impact in the context of continuous improvement. The short-term nature of many contracts reduces the scope for embedded partnership between the public and private sector and reduces the capacity for private sector investment, a critical characteristic at the heart of any organisation seeking to re-structure. There is also limited risk transfer such that the overall savings, as highlighted by recent Canadian evidence, are limited and at times negative. Single service, ad hoc out sourcing is not generating the efficiencies or improvements in service now seen as fundamental to a renewed public sector. The returns at best are short-term and do not result in any real impact on public service re-organisation and renewal.

Given the restricted nature of single service based functions in the public service and the prevalence of more complex and inter-generational or life cycle needs of the citizen, such provision is even more complex and there is limited compelling argument to apply such options.

Option 3:Joint Service Platforms through...

...Public-private joint ventures in service provision-an increasingly preferred option in the OECD

Public private joint ventures are a well established feature of APSD, particularly in the provision of heavy infrastructure where the financial model is similar to investment strategies in the Pensions Industry. For example, Brisbane City Council operates a transport based joint venture providing public service vehicles to the regional transport provider in Queensland and generally throughout Australia having migrated its own bus building services into a new public private venture model based on generating profits as well as delivering buses. Ireland also has a solid track record in the provision of heavy infrastructure along with all members of the OECD.

Increasingly however, the model is moving from the constraints of infrastructure provision to include daily service provision across citizen centred or human based service expectations. In other words there is increasing evidence of joint venture provision of citizen centred services across the OECD.

In the Nordic States examples of such approaches include the provision of "Free School Education" along with the shared management of health services, recreational services and utility services (also in Germany and elsewhere). The Joint Venture approach is seen as also providing a solid framework for citizen centred services where the public sector enters into long-term contracts for service provision whilst retaining ownership of infrastructure and the right for the return of services in the event of non-delivery. Such arrangements are typically 10 and more years but do generally result in the return of the service back into the public sector along with the assets which may be the result of an investment strategy by the joint venture.

Broadly speaking, the public authority or a network of authorities can and do enter into contracts where, depending on the level of risk transfer and expected return on investment, profit sharing or community gain arrangements can be put in place.

Furthermore, in regard to the United Kingdom, there are examples in the local government sector including social services and in healthcare where such models are being piloted on a cross authority and agency basis. Such models are based upon place shaping strategic planning models where there is a clear effort to ensure integration of corporate objectives of the public authority with the business planning of the commissioned provider. The move to enterprise led service delivery vehicles (established on a joint venture basis) is also becoming apparent where, as part of an out sourcing contract where local authority staff are transferred through TUPE to a new service vehicle, joint ventures are created with the objective of competing for outsourced work from the private sector and well as from other public bodies and not just from the authority subject to the TUPE process. Recent evidence from one such example with the Department of Transport in Swansea suggests that this might be an appropriate model which could be set up on a regional basis in Ireland. The business case to demonstrate this to be the case would clearly, however, have to be tailored to Irish conditions.

...Community based service

A cornerstone of the UK Government in developing its "New Localism" and "Big Society" policy framework is the establishment of community based service delivery processes. The objective here is to use communities to deliver, in partnership with local authorities (again a central theme here is the role place-shaping plays in the strategic process), person based services through a combination of volunteerism and local knowledge/expertise as well as decentralised services based upon the Parish Council platform. Similar initiatives have been put in place in New Zealand through Community Boards which essentially take responsibility for delivery of services similar, broadly, to the services currently provided by Town Councils in Ireland (the UDC Town Councils). In New Zealand, the Community Boards are partially elected along with local experts/contributors who may be invited to sit on the Boards. In the case of England and Scotland and to a lesser degree Wales (in the form of Community Councils) local contracts are put in place and resourced through local government to deliver services based on the largely voluntary inputs of the relevant Parish/Community Council.

Such examples can be found in Ireland, most notably with SICAP and other local development led initiatives. However what is absent in Ireland is the overall policy framework and the demand for clearer integration between the strategic planning of the relevant public service alongside its partners in other local public services and the non government sector. The introduction of the Local Community Development Committee might provide a platform for such engagement but previous experience with the development boards does not provide confidence that this will be the case.

Nonetheless, it should be acknowledged is that the current local government reform framework does provide the commitment that all new services should be delivered within a local government policy process and under the umbrella of local government which suggests that in future any commissioning of APSD models will be at the heart of the local government policy process.

...Third sector/social economy platforms

This APSD model is relatively well developed in Ireland reflecting a historical mistrust of local government and the highly siloed organisation of national government. Increasingly similar models are however becoming apparent in Nordic States as well as Germany where

charities or trade unions are taking on responsibilities for social security service delivery, labour activation and other socially focused services. Cooperative organisation in England is also well advanced particularly in areas such as waste management and housing, something which has also become a feature of social housing provision in Ireland.

There are also examples to be found in the United States, Canada and Australia.

In some respects the debate around the use of alternative public service delivery models in the form of commissioned delivery now centres around the use of this particular format or that of the public-private model outlined earlier. The weakness in this particular model relates to the capacity of the third sector to sustain long term contracts and to have the available capital to meet re-configuration costs and other capital intensive costs such as ICT. Issues of public accountability have also been raised.

...Public sector shared service (Thematic/national/regional)

This particular model was a core feature of the previous Public Service Reform Plan and to some degree the current plan, reflecting as noted earlier, the learning process in Ireland which reflects similar if earlier experiences in other OECD members, several of which are highlighted. Increasingly, there is recognition that thematic based APSD might only provide a partial response to re-configuration of public services based on the commissioning of an arms length provider. This is due to the on-going investment costs arising from such re-configuration, a fact highlighted in the HM Treasury Review of APSD.

Models for service configuration at local and regional level also reflect the challenge of having purely public sector driven initiatives against the backdrop of austerity, particularly those which have failed to adequately transfer risk from within the relevant public body(ies) and private out sourcing providers, a feature highlighted recently within Birmingham City Council and other local authorities in England that have exercised this approach. If risk mitigation for the public sector is not included in any strategic effort to commission APSD, the potential savings can be short-term in nature, leaving longer term legacy costs to be the responsibility of the public service, thus resulting in at best, as is now increasingly accepted, limited to no efficiencies in public spending.

...Public sector shared service (geographic/regional/local)

The migration of local government services in Ireland towards regional based shared service provision with local government is now beginning to gain traction, reflecting experiences on mainland Europe and, to a more limited extent, the United Kingdom. Even in the UK however, experience with the move towards such models is broadly positive if constrained by the lack of investment capacity within local government. The Local Government Association in England has identified over 140 shared service platforms covering some 220 local authorities with having identified savings of almost €200 million⁶. Given the investment constraints such models are looking to new arrangements which involve various forms of public private engagement, most notably in regard to housing provision in Sefton which is recognised as a model for citizen centred service provision though public private provision in the UK.

Option 4: Ceasing a function or service

Ultimately a business case may demonstrate that there is limited or negative value to a community with the continuation of a service regardless of the APSD model applied. In Queensland this criteria is a central feature in the re-configuration of both local and State services which is currently underpinning a radical re-configuration of employment skills and service offerings from within the public exchequer. Similar decisions are having to be made in other member states of the OECD and clearly are on the public service reform agenda in Ireland.

Conclusion

While Ireland is coming relatively late to the migration of public services to alternate delivery models, especially regarding the commissioning of person based services, it has, with the Public Service Reform Plan 2014-2016, accelerated its thinking such that it is likely to move towards European norms in the use of APSD vehicles. Critically, among these are those vehicles outlined under Option 3 above and, within this option, most notably the move towards public service centres based upon joint ownership models with the private sector. Such moves have been informed by the on-going need to demonstrate economic efficiencies that are long-term in nature and which underpin substantive public service transformation.

⁶ <http://www.local.gov.uk/publications>

Models now include applying an enterprise objective which is seeking to create career options for those engaged in the migration process along with profit sharing between public and private investors. It is important to re-iterate that this is not just the case for infrastructure based services but more significantly human based services that are the critical component in overall public service costs. Contestability is at the heart of such moves, the acceptance that a service does not actually have to be delivered by a public authority but that a venture drawing upon the mutually complementary experiences of both public and private sector can contribute to positive public service re-configuration is now a realistic development from the PPP of the NPM period.

Moving to such a model however, would fundamentally challenge the current organisation of commissioned services many of which are wholly dependent upon government funds and generally community based. In the absence of an overriding framework such bodies have largely self regulated without significant regard to local or national policy objectives. There is limited appraisal of their outputs given the absence of national or local pre-determined outcomes and KPIs and therefore limited capacity in the public service to evaluate the considerable funds used on existing ad hoc commissioned services.

Introduction of such a framework would significantly alter the operational environment for such bodies and would likely cause considerable political disquiet along with challenging the relevant public services to take a role in setting specific direction on performance for those awarded the commissions. Such "community bodies" would also have to accept the principle that if contestability is to be at the heart of commissioning APSD, purely private bodies would have to be allowed enter into the commissioning process, something the community sector in Ireland would have considerable difficulty with, particularly if they are also having to confront their own capacity and capability in providing greater accountability and transparency along with the transfer of risk.

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