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0.2	September 2010	For consultation with the Strategic Commissioning programme board.
0.3	12 October 2010	Amendments following programme board consultation
0.4	18 October 2010	Including further minor amendments. Submitted for approval to Staff and Support Services Committee
0.5	01 December 2010	Update to information on the budget gap and the financial implications of the programme. Submitted for approval to Council

Changes Planned

The document will be kept under review and modified as appropriate.

References

1st December Section 4 report to Council and its appendices

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1. Introduction

- 1.1. This is the strategic business case for Cheltenham Borough Council's Strategic Commissioning programme. Its format is based upon the standard adopted by the Office of Government Commerce.
- 1.2. The programme's vision is:
"By April 2012 we will lead our community by taking a commissioning approach. We will be driven by the needs of people and place, in order to improve wellbeing, the economy and the environment, and use resources efficiently and effectively"
- 1.3. The business case explains how the programme will contribute to the delivery of the council's strategy and states its objectives, benefits, critical success factors and financial implications.
- 1.4. The business case also evaluates whether the objectives and benefits are achievable and describes other options considered.

2. Strategic fit

Supporting the council's financial strategy

- 2.1. Cheltenham Borough Council has generally performed well in delivering high quality public services at a reasonable cost. However the environment for delivering public services is changing and a particular challenge is the severe financial restraint which is likely to be imposed on local government by central government.
- 2.2. In the last two years the 'bridging the gap' programme has been successful in delivering savings without overly damaging services. However the latest projections indicate a gap of £4.8M over the next 5 years (based on an assumed 25% cut in central government funding). There is now a limited amount of further saving which can be made without challenging the range of services provided and the way in which they are delivered.
- 2.3. Adopting a strategic commissioning approach provides a structured and systematic method for determining priorities based on needs and intended outcomes.
- 2.4. Following such a process may mean that many services will not necessarily (as at present) be provided through a directly employed workforce, but neither is it presumed that sharing of services, outsourcing or the creation of 'not for profit' vehicles would always be preferred. Strategic Commissioning dictates that the delivery mechanisms chosen will depend on an evidence-based judgement as to how best to meet the needs of citizens or service users.

Delivering community outcomes

- 2.5. In keeping with its duties to engage citizens, lead its communities, and find new and more effective ways to deliver high quality services, the Council has adopted an outcomes-based approach:
"Working to secure value for money and deliver the best possible outcomes that meet the needs of our citizens, communities and service users"
- 2.6. Rather than focus on narrow performance measures or outputs, the Council has identified a series of broad outcomes.
- 2.7. Strategic Commissioning emphasises the primacy of community outcomes and is therefore very much aligned with the Council's approach.

Working with partners to meet customer needs

- 2.8. When services are redesigned it is important that citizens, service users and council tax payers are the focus of the service specification process. It is also important that we work closely with partners to achieve the outcomes which have been jointly agreed for the town.
- 2.9. The Council recognises that many outcomes demand a partnership-based approach to service planning;
"Some of these outcomes we will be able to deliver by ourselves, but for many other outcomes we will have to work in partnership with other organisations."
- 2.10. The essence of Strategic Commissioning is that firstly through a thorough planning process involving partners and stakeholders (including users) the outcomes for any functional area are defined clearly; then a range of options for provision are considered to best achieve those defined outcomes. This should facilitate the transformation of services where warranted in order to achieve the defined outcomes.

National strategic drivers

- 2.11. The role of councils as 'agents of place' as set out in the Lyons Inquiry's recommendations for local government can be summarised as:
- (a) Strong governance and leadership through the Local Strategic Partnership
 - (b) Developing a shared vision set out in the local Sustainable Community Strategy.
 - (c) The involvement of local people
- 2.12. The 'Total Place' initiative was announced as part of the Treasury's Operational Efficiency Programme (OEP) alongside the 2009 Budget, stating that all parts of Government, including councils, could make £9 billion in annual savings from:
"back office operations and IT, collaborative procurement, asset management and sales, property and local incentives and empowerment"
- 2.13. Pilots started in June 2009, examining how public services and agencies in the locality can pool strategic effort and budgets. One of the intended outcomes of the project was to explore ways in which business, voluntary and public sector bodies can work together to provide a wide range of public services.
- 2.14. Although it is likely that the term 'Total Place' will not be retained, aspects of these themes have been pursued further through the new Government's commitment to the concepts of 'Big Society', 'radical devolution' and 'localism'. In its submission to the new Government, the Local Government Association has proposed 'place-based budgeting' which would require:
"the integrated strategic commissioning of services from the public, private and voluntary sectors"

Programme Vision

- 2.15. In response to the local and national strategic drivers described above, the council's Senior Leadership team has adopted the following vision for the Strategic Commissioning programme:
"By April 2012 we will lead our community by taking a commissioning approach. We will be driven by the needs of people and place, in order to improve wellbeing, the economy and the environment, and use resources efficiently and effectively"

Key Benefits

The following paragraphs explain the key benefits that can be realised by the Strategic Commissioning programme.

- 2.16. Better outcomes for citizens as a result of:
- (a) Intended outcomes being based on a thorough understanding of the needs and aspirations of people who rely or might in the future rely on the Council, perhaps because they live, work or learn here or because they are visitors. In addition we must identify the needs which support Cheltenham as a place - for example a strong local economy, an attractive environment or physical regeneration.
 - (b) Clear and specific outcome statements about what the end result would be of delivering a particular service, project or initiative. The focus will be on what the service is intended to achieve rather than how the service operates or what inputs are required by the service.
 - (c) Clear prioritisation which ensures that resources are used to best effect
- 2.17. A contribution to bridging CBC's medium term financial gap. A detailed assessment of the financial impact is included in section 4 of this business case.

- 2.18. Together with our partners we will create consistent structures and approaches in support of place-based commissioning, enabling partners to develop a shared view of outcomes and on how to pool and apply resources more effectively and efficiently.
- 2.19. We will develop the market for delivering services, thus providing more options and increased competition. This may mean, for example, enabling the voluntary and community sector to build capacity and capability or setting up innovatory shared services amongst existing public sector providers.

Key risks

- 2.20. A risk analysis, including the actions which will be taken to mitigate risks, is attached as Appendix D to the 28th October report to Staff and Support Services Committee – ‘Suggested structure to support a Strategic Commissioning Council’.

Critical Success Factors

The critical success factors of the programme are listed below:

- 2.21. A consistent approach to commissioning in use by the council and its commissioning partners by April 2012.
- 2.22. An organisation structure, which is capable of providing effective support to commissioning exercises, in place at the council's senior leadership level by April 2011.
- 2.23. A knowledge and skills development programme in place for members and employees, which enables the council to secure the opportunities presented by commissioning, defined by January 2011 and delivered during 2011/12.

Individual commissioning exercises, supported by the factors listed above, will themselves define success factors appropriate to their particular context. These may include:

- 2.24. Achievement of defined community outcomes
- 2.25. Cost savings contributing to the Medium Term Financial Strategy
- 2.26. A growth in the number of organisations able to deliver services to the public.

3. Options appraisal

The Council has considered the following main options:

- 3.1. Option 1 - Retain the Council's and partners' existing methods of service delivery.
- 3.2. Option 2 – Continue to commission services in an ad-hoc way without restructuring the organisation or identifying the specific competences, capability and skills needed to become an effective commissioner.
- 3.3. Option 3 - Restructure the organisation to realign the professional functions on which commissioning relies and put in place a senior management team with the appropriate accountability, competences, capability and leadership skills needed to successfully transition the Council to become an effective commissioner.
- 3.4. It is recommended that option 1 and 2 are discounted and that the Council proceeds with option 3. The rationale for this recommendation is set out below.

Option 1 – Retain existing delivery models

- 3.5. There are a number of consistent threads across several decades of policy making, and by successive governments, that challenge traditional approaches to public service. The view is that the business of local government should not purely be the delivery of services at the cheapest cost. Instead public services and other relevant organisations in a locality should pool strategic effort and budgets to deliver outcomes that best meet the needs and preferences of the community (citizens and place). This view is clearly aligned with the underlying principles of commissioning.
- 3.6. Furthermore, the new Government is considering a recent submission from the Local Government Association which has proposed 'place-based budgeting' and requires 'the integrated strategic commissioning of services from the public, private and voluntary sectors'. Given this political driver, the fact that more and more relevant organisations are making commissioning central to their overall corporate management and that the Council itself accepts that it will ultimately deliver better outcomes and provide better value for money in the context of constrained public sector finances, the 'no change' option has been discounted.

Option 2 – Continue ad-hoc commissioning without changing the organisation or developing competencies

- 3.7. Research by EightyTwenty Insight has highlighted that although there is now widespread adoption of commissioning practices in local government, there has been relatively little change to senior management structures and roles. As such, posts responsible for commissioning rarely have direct control of the functions required to manage the commissioning process. Furthermore, the senior management structure is designed with little reference to the key requirements (competence, capability and skills) of being an effective commissioner.
- 3.8. These authorities are therefore imposing a commissioning philosophy on a conventional management structure and risk blurring accountability and weakening the capacity and disciplines needed for effective commissioning.
- 3.9. Additionally, they are less able to deliver the cultural change which is fundamental to the adoption of a strategic approach to commissioning, an approach which requires commissioners and providers to maintain an open mind to the possibility of change to the delivery models currently in place.
- 3.10. Furthermore, an ad-hoc approach to commissioning means that outcomes and services cannot easily be addressed in priority order or resourced consistently with priority needs.
- 3.11. These risks are mitigated by discounting option 2 and implementing option 3.

- 3.12. In summary, the Council will increase the likelihood of becoming an effective commissioner of outcomes by restructuring the organisation to realign the professional functions on which commissioning relies and putting in place a senior management team with the requisite accountability, competences, capability and leadership skills.

Option 3 – Take a systematic approach to restructuring the organisation, developing practices and processes, and extending competencies

- 3.13. The benefits and costs of this approach are set out elsewhere in this business case.
- 3.14. Alternative models for the restructured organisation have been considered and external objective advice taken on the best approach. These are discussed in section 3 of the 28th October report to Staff and Support Services Committee – ‘Suggested structure to support a Strategic Commissioning Council’.

4. Financial assessment

This section outlines the financial impacts of the Strategic Commissioning programme.

Senior leadership team savings

- 4.1. The change to a strategic commissioning authority results in a revised Senior Leadership Team management structure with fewer staff at a senior level. Savings are delivered in phases and are summarised below:
- (a) 2011/12 £144,000 (deletion of 2FTE's – wef 1/4/11)
 - (b) 2012/13 £198,000 (deletion of additional 1FTE – wef 1/10/12 net of de-commissioning costs of c£20k for the post of AD OD and change)
 - (c) 2013/14 onwards £213,000 (full year annual saving)
- 4.2. There may be further one off de-commissioning costs of between c£26k and £29k depending upon the outcome of the restructuring process. The total de-commissioning costs will be in the range of c£46 to £49k which, when compared to the savings made, result in a payback of approximately 0.3 years.

Potential costs

- 4.3. Around £5,000 of the Corporate Training Budget 2011-12 will be channelled into commissioning development support. No further additional funding has been identified at this time. With budgets under significant pressure, it is proposed that development will be designed and delivered through an in-house programme for leaders and managers, building on the significant investment already made in SLT and Service Managers through the Achieve Breakthrough leadership programme. It is anticipated that SLT and Service Managers will in turn use their knowledge to support and coach members in understanding and adapting to their changing roles. Accreditation will be sought for the commissioning development programme, working closely with university colleagues, to add even more value. Free seminars (e.g. CIPFA run) and events will be accessed where possible and knowledge pooled and shared. External funding sources will be monitored and accessed if available and appropriate, subject to a clear business case.
- 4.4. Current best estimates suggest an average internal staff requirement of about 10-11 FTE for the lifetime of the programme. Around 7-8 FTE will be required to deliver the core framework whilst the balance will support early commissioning exercises for Leisure and Culture and Sustainable Communities.

Longer term savings

- 4.5. Given the financial outlook for the public sector, it is evident that current delivery models are not sustainable i.e. that the council cannot continue to deliver services at today's level with significantly reduced budgets.
- 4.6. Whilst it is difficult to quantify savings from commissioning, evidence from the Torbay model (supported by Grant Thornton) suggests that 10-15% of operational budgets may be saved as a result of a commissioning exercise. In Cheltenham we are looking in 2011 to undertake commissioning exercises for leisure and cultural services and for our planning and related services. If we were to assume that this level of commissioning is sustainable within the council's resources and that the Torbay figures are justified, an annual saving of between £0.8M p.a. and £1.2M p.a. might be achieved and will grow as a result of future commissioning exercises.
- 4.7. The figures above should be seen as indicative. At this early stage it is difficult to guarantee a profile of savings resulting from a commissioning programme since it may take the council in many directions including pooling budgets with other organisations, being commissioned by others or using our reduced budget to commission outcomes for our communities from others. Equally there will be costs

arising from commissioning including decommissioning, procurement and legal costs. However, it is possibly more likely that outcomes will have a better chance of being delivered through commissioning in a period of significantly reduced budgets. And a strategic approach to commissioning, rather than an ad-hoc opportunistic approach, is likely to make a substantial contribution both to the achievement of community outcomes and a sustained reduction in spend.

5. Achievability

EightyTwenty Insight has conducted an independent readiness assessment in relation to a number of key factors influencing the achievability of the Council becoming an effective commissioner. The findings and corresponding recommendations from the assessment are incorporated in the following paragraphs:

Effectiveness of Partnership Working

- 5.1. The Council's plans and strategies are designed to deliver broad outcomes that require the Council to work in partnership to achieve success. The council has invested time and effort in collaborative working and is considered by its partners to be committed, open and positive. The Cheltenham Strategic Partnership is well-supported by partners and provides a sound platform for the development of a 'place-based' and localist approach to delivering improved outcomes and value-for-money. As the Cheltenham Strategic Partnership is supportive of the approach to work in partnership to commission services, EightyTwenty Insight considers the council to be well placed in taking this forward, subject to it implementing the recommendations in respect of the senior management structure and in particular the role of AD Commissioning.

Senior Management Arrangements

- 5.2. An assessment of the readiness of the Council's senior management arrangements to meet the requirements of strategic commissioning, drawing on comparisons with developments in other authorities and the size of the Council's current senior management structure with those of other district councils has identified a need to implement a new management structure. A proposed management structure has been designed to support a strategic commissioning framework in which the Council will be able to work closely with its partners to achieve the outcomes that will ensure a sustainable and successful future for Cheltenham and builds on the successes and potential of the current arrangements. It is recommended that the proposed management structure is implemented.

Stakeholder Views and Support

- 5.3. EightyTwenty Insight has conducted interviews and workshops with Cabinet Members, partners and members of the SLT and have found positive levels of support for the introduction of strategic commissioning and the opportunities that commissioning would present. The positive support from key stakeholders is essential if the council is to successfully transition to become an effective commissioner.

Evidence of Effective Commissioning

- 5.4. There is already widespread adoption of commissioning practices in the public sector. With regard to local government particularly, the following councils have been identified as commissioners: Torbay Council, Brighton and Hove City Council, London Borough of Barnet as well as in County Council specific services. The council has shown a willingness to learn the lessons from early adopters through its contacts with Torbay Council and research undertaken to date and by the scheduling of early commissioning projects with the intention of sharing the lessons learnt internally.
- 5.5. Locally, evidence for the potential of commissioning comes from the Supporting People programme. Co-commissioning, by councils, health and probationary services across Gloucestershire, of housing-related support services for vulnerable people since 2003 has led to:
 - (a) Pooled costs reducing from £29.2M in 2004/5 to £22.5M in 2009/10

- (b) Improved health, housing and social care outcomes through the co-ordinated administration of the delivery and development of service models, for example:
 - (i) Increased 'floating' support services (support at their home location of choice)
 - (ii) All contracts achieve minimum standards and VFM
 - (iii) Outperforming targets for key national indicators
 - (iv) 4000 people supported in 2008/9
- (c) The development of financial models which allow the financial benefits of pooling resources to commission future services to be evidenced.

Capacity, Capability, Skills and Learning

- 5.6. EightyTwenty Insight has identified a skills gap and developed an outline management development programme for the Senior Leadership Team. Once this programme has been delivered, the Senior Management of the Council will have the necessary proficiency to lead the Council through the transition to become effective commissioners of outcomes.
- 5.7. The Commissioning Programme is designed to allow the Council to learn from ongoing commissioning projects, for example the current initiatives in both Leisure and Culture and in Sustainable Communities are testing and improving the core approaches to process design, working with partners, and learning and development.

Plans and Strategies

- 5.8. The Council's plans and strategies are designed and aligned to deliver broad outcomes that require the Council to work in partnership to achieve success. In order to support the outcomes-based, partnership approach, the Council included an improvement action in its Corporate Strategy to 'develop an approach to commissioning of services'.
- 5.9. This improvement action has developed into the Commissioning Programme which is one of the Council's major corporate programmes, and as such, its effective delivery is clearly a high priority for the Council.