DRAFT

APPENDIX B
AGENDA ITEM (9)

Great commissioning

COTSWOLD
DISTRICT COUNCIL

Forest of Dean
— DISTRICT COUNCIL —

WEST OXFORDSHIRE
DISTRICT COUNCIL

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Document purpose

- Act as a guide to Commissioning for Council and Publica staff
- Define Commissioning and summarise the Partnership Councils' approach
- Explain Council and Publica roles and responsibilities throughout the commissioning cycle.
- Summarise the implementation plan, to take the partnership from it's current, to the desired capability

Background

The Partnership Councils (*Cotswold District Council (CDC), Forest of Dean District Council (FODDC), and West Oxfordshire District Council (WODC)*) opted for a Jointly Managed Commissioner / Provider approach when they developed the Publica Business Model. This document explains how this will work.

What is Commissioning?

'Commissioning' is a cyclical process that organisations use to plan, source, deliver and evaluate services for local residents[1].

'Great commissioning' means delivering the right outcomes at the right cost

Commissioning follows the steps: Strategic planning > Sourcing services > Monitoring and evaluation (see Figure 1, below - The Commissioning Cycle) and asks the questions:

- Who are our users?
- What do our users need?
- What is the level of demand?
- What are our strategic priorities?
- What is the best way of delivering services to meet those needs:
  - deliver in-house?
  - outsource to a third party (public, private, third sector)?
  - or do something else e.g. form a joint venture?
- How should we monitor performance of commissioned services?
- How do we ensure that the user voice feeds into performance monitoring?

Whilst recognising their shareholdings in Publica Group, the Partnership Councils must be open minded about potential service delivery models in order to get the most out of commissioning. If an alternative provider is able to meet user needs and strategic priorities in a more effective manner, then the Councils should be open to change. An effective market brings strong incentives for providers to:

- be responsive to user needs;

[1] https://knowhownonprofit.org/funding/commissioning/commissioning-1/what-is-commissioning#

- develop innovative services that enable improvements;
- provide value for money

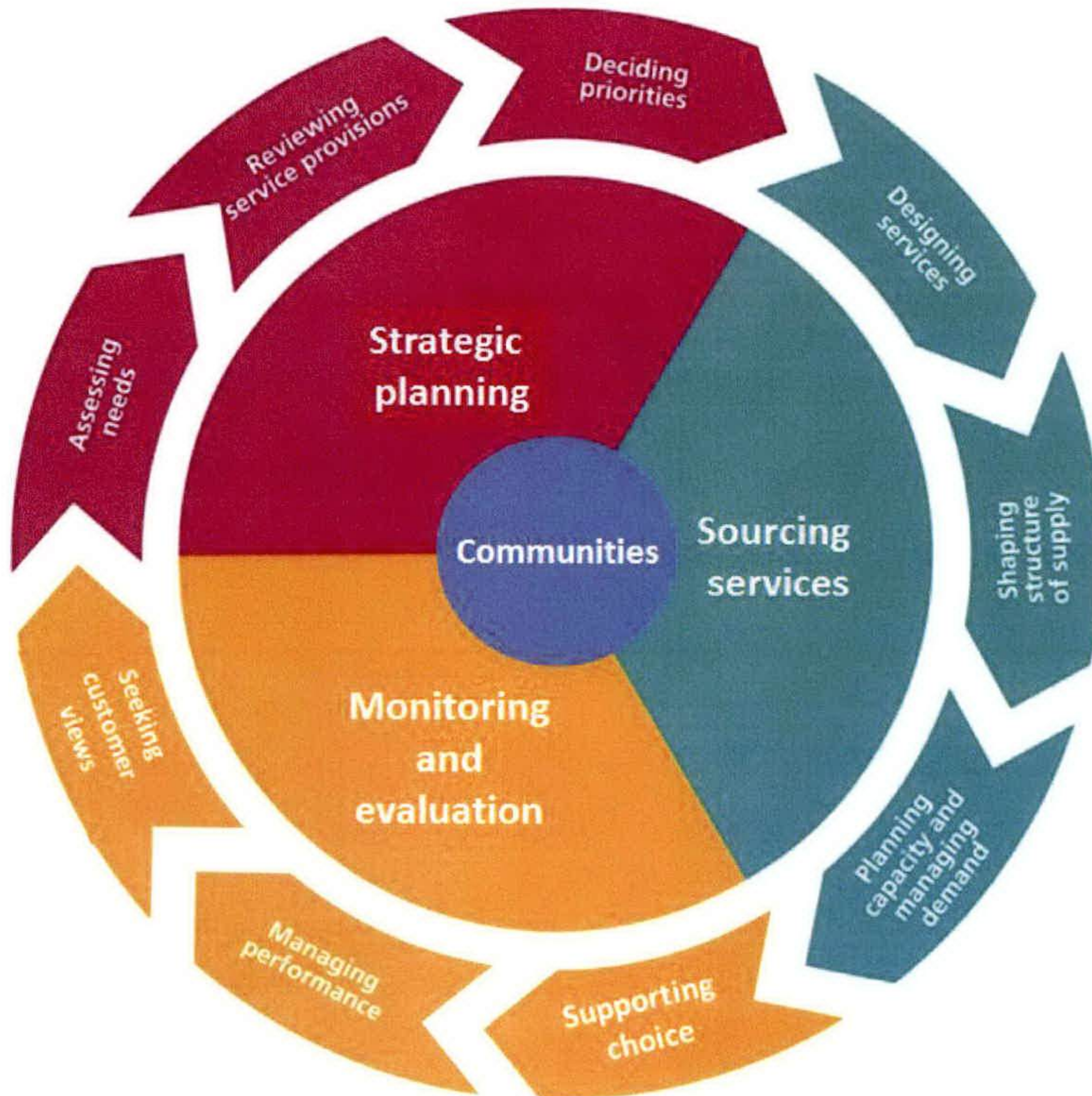

Figure 1: The commissioning cycle

The eight principles of good commissioning

The eight principles of good commissioning[2] are:

- Understanding the needs (and associated levels of demand) of communities by ensuring that you engage with a broad and representative group of stakeholders and expert sources

[2] https://www.nao.org.uk/successful-commissioning/general-principles/principles-of-good-commissioning/

- Consulting potential providers, including in-house teams, well in advance of commissioning new services, working with them to set priority outcomes for that service;
- Putting outcomes for users at the heart of the strategic planning process;
- Mapping the fullest practical range of providers with a view to understanding the contribution they could make to delivering those outcomes;
- Considering investing in the capacity of the provider base, particularly those working with hard-to-reach groups;
- Ensuring contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including considering sub-contracting and consortia building, where appropriate;
- Ensuring long-term contracts and risk sharing, wherever appropriate, as ways of achieving efficiency and effectiveness; and
- Seeking feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs.

The general principles should be applied sensibly. In particular, think about:

- **Simplicity and proportionality.** Processes, including commissioning, should be as simple as possible and proportionate. Financial controls, monitoring and evaluation requirements and external inspection should be intelligently designed and implemented.
- **Transparency.** The more you can be open about your commissioning process, the more others – *especially potential providers and any losers in the commissioning process* – will see that the process is fair. They will be more likely to accept the outcome, even if they do not like it.
- **Joining up.** Do not see your programme and its outcomes, and the commissioning process you put in place for it, in isolation. Your programme may achieve more if it recognises that its outcomes may be shared with others or complementary to what they seek to achieve. Take opportunities to join up service delivery.
- **Making time in the process.** Less haste, more speed is a good rule of thumb. In particular, allow yourself time up front for planning, before you get into financial arrangements. Allow potential providers adequate time to reflect properly on your communications and respond appropriately.
- **Mutual understanding.** If you and the provider understand each other's needs, this should help avoid problems and achieve outcomes.
- **Distinct knowledge and experience.** Recognise that service providers are often close to their clients – a friend as well as a service provider. Use this experience throughout the commissioning cycle to ensure that real user needs are identified and addressed.
- **Involve outsiders.** Commissioning can seem like a one-way process: you hold the money and determine your desired outcomes; the providers have to bid for grants or contracts to deliver these. But a better result for all can be achieved if commissioners and providers work in partnership. Such a partnership can be achieved at any point in the commissioning process and within the rules of procurement and grant-making.

- **Risk management.** Manage risk, do not seek to eliminate it. This would be both impractical (since the cost of removing all risks may be far more than the costs of risks if they materialise) and undesirable, since well-managed risk taking also presents opportunities to innovate, experiment and develop new ideas where more traditional ways of working are not able to deliver real change. Neither should you transfer risk unreasonably.

Roles and responsibilities - Partnership Councils and Publica

Having considered a range of options, the Partnership Councils chose a Jointly Managed Commissioner/Provider Model, meaning that Council and Publica staff will collaborate on the Commissioning Process. This in turn necessitated the development of an Ethical Walls component, to prevent potential conflicts of interest. In this section, the key roles and responsibilities on both the Council and Publica sides are explained.

Figure 2, below shows the governance and scrutiny relationships between the Councils and Publica.

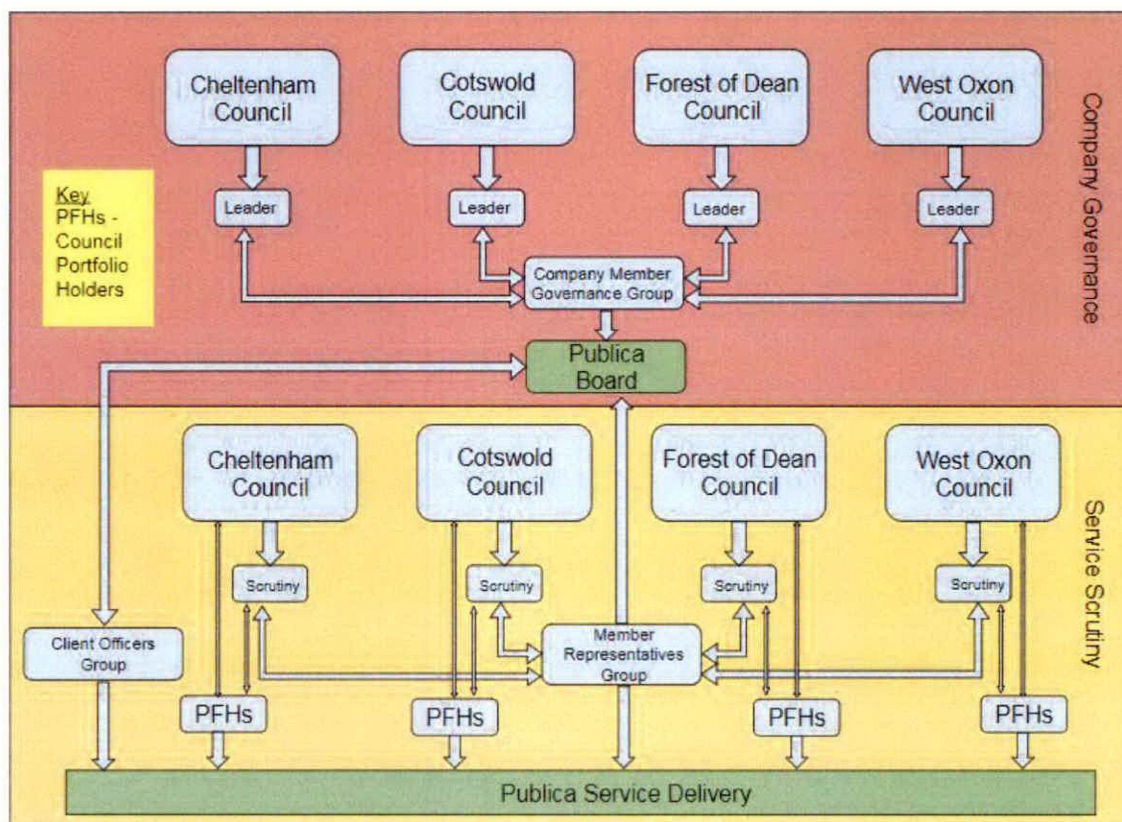

Figure 2: Governance and scrutiny relationships between the Councils and Publica

The table below explains the key Council and Publica roles in the commissioning process:

Stakeholder group	Role(s) in the commissioning process
Council	• Defines Council strategic priorities • Makes strategic sourcing decisions through cabinet recommendations • Monitors provider performance at the strategic level • Instructs scrutiny on areas which they'd like explored
Council Head of Paid Service (Lead commissioner)	• Responsible for working with Councillors to define the goals, values and key processes of policy. Often make the connections between 'their' policy and others. • Often the owner of the outcome of the policy. • Makes commissioning recommendations to the Leader and Cabinet. • Works with Executive Director (Commissioning), Section 151 officer and Legal colleagues to procure services and monitor their performance.
Executive Director (Commissioning)	• Advises Councils on the Commissioning approach. • Supports Councils when they undertake Commissioning Reviews.
Leader	• Member of the 'Company Member Governance Group' • Leads Council decision making processes
Company Member Governance Group	• This group is the Council company owners (Members) that oversee the governance of the company and take any reserved matter decisions on behalf of the company
Publica Board	• Responsible for the management of Publica • Responsible for delivery of commissioned services • Supports Councils in their undertaking of the Commissioning Process
Scrutiny Committees	• Provides assurance to Councils regarding commissioning decisions and processes, and performance of commissioned services.
Member Representatives Group	• A cross-council scrutiny body, that oversees service and contract monitoring, either collectively or individually, for each Council.
Client Officers Group	• A forum for Lead Commissioners and Publica Service providers to discuss: service performance; Progress towards desired 'Outcomes'; and future needs.
Portfolio Holders	• Member of Council Cabinet responsible for a particular portfolio of services • Feeds into commissioning reviews concerning their areas of responsibility • Monitors commissioned services spanning their areas of responsibility
Publica Service Providers	• Focused on achieving the best result for the client group. With this often goes a focus on outputs, quality and best use of budgets. • Specifies what can be delivered in response to Commissioners' Outcomes statements • Responsible for converting policy into services. They may do the actual service delivery or have financial agreements with external bodies that do so on the organisation's behalf. • Provides services in-line with Service Agreements • Provides service performance reports for monitoring groups (Publica Board, Scrutiny, Council Executives, COG, MRG)
Procurement	• Supports the commissioning process by providing management with professional advice and skills in procuring goods and services.
Legal	• Legal will advise on the commissioning approach and give case-by-case advice during commissioning reviews.
External stakeholders	• During a commissioning review, you will normally engage with a range of external stakeholders who can inform on service design and delivery options, and provide valuable service evaluation feedback. This involvement of external stakeholders in an active, not just a passive way, is crucial.

The functions identified above will not be under single line management, nor be together in

the same office. Nevertheless, they do work together on commissioning. This way of working is called a 'virtual team'. It is important that the team understands, shares, and works according to good commissioning principles and is focused on achieving better outcomes. This will require good and regular communication between the functions.

Practical example: functions involved in commissioning a pest control service

The Council has established a need to improve the Public Health of the local community. One workstream initiated to address this need is a review of its pest control service. The Lead Commissioner works with stakeholders in the pest control service, the Portfolio Holder, resident groups, service users, policy advisors and relevant service organisations, to establish the needs and outcomes they seek to achieve.

The Lead Commissioner then invites organisations - including the in-house pest control service - to submit proposals for Outcome delivery. She works with legal, finance and procurement colleagues to review proposals and select the best option. The Commissioner accepts the proposal from the in-house team to create a staff mutual company, combining the pest control teams from a number of local councils, which will be jointly established by the partnership Councils. The Lead Commissioner works hand in hand with the Service Delivery Managers to ensure that the service delivers against the agreed specification.

The Commissioning Cycle

As shown earlier in Figure 1, the Commissioning Cycle is comprised of three main stages:

- Strategic planning
- Sourcing services
- Monitoring and evaluation

Strategic planning

Assessing needs

- The needs of the population you serve are assessed. It is important that the stated needs do not specify a solution - for example, "*The local community needs an improved pest control service*", is a poorly defined need. More appropriate is "*The local community has an increasing incidence of rodent infestation, which poses a potential Public Health Hazard - there is a need to reduce this risk*".
- The assessment of needs may be carried out in conjunction with other commissioners. For example, since April 2008 local authorities and primary care trusts (PCTs) have been required to produce joint strategic needs assessments (JSNA) of the health and wellbeing of their local community.
- Assessing needs is a crucial step in the commissioning process. If your understanding of people's needs is poor then your design and delivery of services is unlikely to meet their needs and achieve the outcomes required. This represents

poor value for money. A good understanding of the current and likely future needs of your local population is crucial if a suitable strategy to meet those needs is to be produced and put into practice economically, efficiently and effectively.
- Assessing the needs of your population may be difficult: their needs may be many and varied; some people and their needs may not be apparent to you; some people may not be able to express or communicate their needs; or your understanding of their needs may be based on mistaken assumptions. Engaging with stakeholders, especially service users, will be necessary but this too can be difficult and costly (in time and/or money). Engaging with service providers (internal and external) can help you overcome these difficulties. Service providers can be important intermediaries and, besides helping you assess needs, may also be able to help you identify how you might best meet those needs.

Reviewing service provisions

- Analyse the gap between needs and existing service provision

Deciding priorities

- The needs assessment will identify a range of needs. With finite resources, decisions will need to be taken regarding which needs are most pressing.

Designing services

After assessing needs, commissioners need to plan or design the service(s) to meet those needs. Establishing and agreeing the **outcomes** to be achieved by the service is critical for this and the remainder of the commissioning process.

The term 'outcomes' has a specific meaning - outcomes are the real-life economic, social and/or environmental improvements that you seek from your programme. For commissioners these outcomes will involve some direct or indirect benefit to some or all of the people in the area they cover.

Outcomes do not stand alone. Outcomes come from the combination of the outputs produced by your programme's provider and of the economic, social and/or environmental conditions in which the programme operates. Outputs result from the activities of the service provider, that will in turn produce the outcomes.

Building outcomes

When you are establishing the outcomes for your programme, you may draw on a number of sources:
- **Needs assessment.** What does research show about the needs of your target client group? For example, if one of the main needs is a higher rate of vaccination among the children in your client group, that will help you in designing the outcomes of your programme.
- **National political drive.** If the government introduces a new policy and delegates the delivery of it to you, you will probably find that the policy comes with national

outcomes attached. You may need to break these down into outcomes to be achieved at a local level, in terms of their scale and/or relevance;

- **Legislation.** Similar to the national political drive but, because this is legislation, it is set by Parliament, not government;
- **Local political drive.** In the same way as national politicians, local councillors may set outcomes for a programme;
- **The need to make savings.** At this point, it is important to recognise the impact that a drive to create economy and efficiency might have on effectiveness. In particular, it could lead to fewer outcomes or outcomes that have less impact;
- **Proposals from partnership organisations.** You should have ongoing dialogue with local partners, before, during and after any particular commissioning process. They may present excellent opportunities for 'joining-up services', and may have already done ground work which you need not duplicate.
- When deciding on outcomes, you should focus on **'sustainable commissioning'**. This means taking full account of economic, social and environmental impacts earlier in the cycle. The London Borough of Camden Sustainable Commissioning Model is an example of this.

Smart outcomes

You must express your outcomes in 'Smart' terms. 'Smart' is an acronym that you may be more familiar with in terms of setting targets. We use it here to remind you to make your outcomes:

- **Specific.** The way you express your outcome must target the issue you are concerned with precisely. For example, if you are concerned with the health of a particular section of society, make that clear in the way you write the outcome.
- **Measurable.** What gets measured gets managed. You must therefore express your outcome in a measurable form. This could be numerical (for example, a percentage improvement in performance) or in another measurable form (such as a 'yes-or-no' check; for example, was the flood stopped before it could damage the museum collection?). Some outcomes are harder to measure (especially so-called 'soft outcomes') but not impossible, and some may take longer to show themselves. For example, increasing a teenager's confidence (hard to measure) may increase their likelihood of employment (but not until they leave school).
- **Achievable.** You need to set an outcome that will 'stretch' the provider. That contributes to getting the best outcome for your money. But you must not set the outcome so far beyond the provider's capabilities that the outcome demotivates the provider's staff and may have a 'rebound' adverse effect on performance instead.
- **Realistic.** You need to set outcomes that are within providers' reach. For example, if you wish to set outcomes for the wellbeing of older people, it is reasonable to assign an outcome for their health to a health care provider. But it would be unreasonable to assign to the health provider an outcome for the quality of social housing. You might assign that to the housing association.
- **Timebound.** You must make clear by when the objective is to be achieved.

Joined up outcomes

In many policy and service areas, the efforts of more than one provider are needed to achieve the desired outcome. For example, using the example given above, the quality of housing will have an impact on older people's health. You should therefore consider joined-up outcomes. These could take two forms:

- **Shared outcomes** – where two or more providers share a single outcome. They would have to work out between them how they were going to collaborate to achieve it;
- **Mutually-reinforcing outcomes** – where the commissioner sets different outcomes for two or more providers. The outcomes are designed so that the achievement of them together will produce the impact more effectively than any one or other on its own.

This joined-up approach to outcomes is now regularly promoted across the public sector, from the public service agreements at national level to sustainable communities plans and local area agreements at the local level. It can also produce efficiency, for example, by reducing duplication in the management of separate programmes.

Sourcing services

Once commissioners have assessed needs and designed suitable services to meet them, providers of those services (including in-house teams) need to be identified, assessed and engaged to deliver them. This sourcing of service providers can lead to financial relationships with third parties. When sourcing, commissioners must be mindful of the Public Services (Social Value) Act 2013, which requires them to think about how they can also secure wider social, economic and environmental benefits.

Bids by providers to deliver services should be assessed against criteria devised by the commissioner, typically including economic, social, environmental, technical and legal elements

State of the market

Whether you use procurement or grant, you will have to appoint a provider to deliver the good or service you are seeking. The set of potential providers is the 'market'.

The market for the service you require may be highly competitive, with many potential providers with high levels of capacity. Or there may be no real market, with perhaps a single organisation with limited capacity (or even no potential provider).

All other things being equal, a commissioner normally prefers a competitive market. It gives the commissioner the ability to choose the best organisation to be the provider. The availability of choice may be desirable from a user perspective. For example, the NHS Constitution has at its centre the right of patients to choose, and the judicious use of competition is intended to increase quality of care for patients and efficiency within the health

market as a whole. This is because providers are subject to 'competitive tension'. This tension, in theory, suggests that providers will fear the consequences of letting quality fall (such as loss of revenue, prestige etc. as patients or Primary Care Trusts (PCTs) take their business elsewhere) and will have an incentive to increase quality.

Generally, the more competitive the market, the more likely it is public bodies will choose procurement – not grant – as the basis for providing a service. But the important factor is competition. In some cases, the 'market' may consist solely or largely of community or volunteer groups, for example bereavement support. In these cases, a competitive grant process may be appropriate rather than a procurement process.

Desired future state of the market

Your current market may not contain enough potential providers with sufficient capacity. You may therefore wish to develop a stronger provider market. For example, currently you have only one weak organisation available to provide a certain service. But you want, in a few years, to have a choice of five or six organisations of much better quality.

You can develop a stronger market in two main ways. You may seek to attract more high-quality providers into your market. For example, you may advertise outside your area or engage actively with potential providers in the run-up to the commissioning round. Second, you may wish to target individual organisations for capacity building.

Generally, a strong market provides competitive tension between potential providers, which tends to increase value for money. You can exploit this situation through either a competitive grants programme (in which potential providers have to bid to the public body for grants) or competitive procurement process.

There are cases where a public body may be content to have a provider market that contains only a small number of organisations – or even just one. Remember, there is no requirement that all services be tendered in all circumstances. For example, a public body that funds a renowned museum that is managed by a Third Sector Organisation (TSO) may not want to make that TSO compete for funds. Without any real, viable 'competitor' the costs of competition would be a waste for both the public body and the museum. Without competition to act as a spur to value for money, the public body should have some other mechanism to ensure that it gets value for money. This may be built into the regular review of the performance of the organisation.

Capacity building

One reason public bodies give grants to TSOs is to build their capacity to deliver public services. Often, these services will be for people in great need and who are hard to reach. Sometimes, a particular TSO may be the only organisation that can reach the group. But the TSO may lack capacity in areas such as governance, human resources and premises. In such cases, the public body may decide on a capacity building grant. The grant will often be paid to an infrastructure body, such as the Council for Voluntary Service (CVS), which will use the grant to build the TSO's capacity. At the end of the period, the TSO will be more

able to take part in an open, competitive process for money, which could be a procurement process or a competitive grants process.

Contract duration

The general rule is that the length of awards should reflect that of the undertaking being funded. Nationally, the Government, covering all departments, agencies and non-departmental public bodies is committed to three-year financial agreements. This reflects the ongoing nature of services and the public sector strategic spending cycle. Locally, councils are committed to the same three years in respect of grants. But awards can be made for longer periods if that would provide good value for money, for example, because start-up costs or the level of capital investment required is significant. Longer awards may also increase the market and competition for a service.

A short term financial agreement (whether a grant agreement under grant or a contract under procurement) will be appropriate in cases where the outcome is also set to be met in the short term. For example, if you are giving a third sector organisation (TSO) the task of building a skateboard area in a park within four months, then a four-month award will be appropriate.

However, giving short-term awards for longer-term projects is likely to add to the burden of administration of the fund for public body and the TSO. This is unlikely to be cost-effective.

It is often sensible to build in review points during the period of an award. For example, a three-year award to a TSO – now common in the public sector – to increase the amount of exercise taken by a target population could be subject to annual review of performance and funding.

Delivering to users

Risk management

Any financial agreement carries some risk. Manage risk, do not seek to eliminate it. This would be both impractical – since the cost of removing all risk may be far more than the cost of risk if it materialises – and undesirable – since well-managed risk taking also presents opportunities to innovate, experiment and develop new ideas where more traditional ways of working are not able to deliver real change.

Some programmes are inherently risky – for example, because they deal with an innovation that may not work as hoped. You and your councillors, Board members etc need to be clear about the level of risk you are prepared to take.

Depending on the nature and confidentiality of such risks, you may involve stakeholders, including potential providers, in this work. For some programmes, there is a risk committee, with external members, to help with this.

Risk management needs to be done throughout the period of a financial agreement. The first stage is to identify the risk before the financial agreement is put in place. This will help you make decisions further into the process. You should reassess risk on a regular basis to identify new risks that have arisen, changes in existing risks, or risks that have ceased to be relevant.

Types of risk

There are four main types of risk:

- **Financial** – the risk that the budget you and the provider have agreed may be exceeded; and/or that there is poor value for money. You should also consider risks to regularity and propriety.
- **Performance** – the risk that the outcomes for the programme that you and the provider have agreed may not be met.
- **Reputational** – the risk that unwanted actions of the provider may bring it, the programme or the funder into disrepute.
- **Opportunity** – the risk that the funder or the provider, because they have not assessed risks accurately and are risk averse, decide not to take an opportunity that presents itself and so damage their effectiveness.

At the start of the financial agreement, you should agree a risk register with the provider. To save on duplication of work, you should draw on any risk register the provider already has.

Once the risk register has been drawn up, it provides a basis for monitoring. This can be done by periodically updating and circulating the register. If the assessment of risk remains the same, no further special action is needed. If risk is assessed as greater, defences against risk (identified in the risk register) will need to be deployed. These may require more focused monitoring but are likely to need closer management and action – possibly even termination of the financial agreement.

Sustainable financing

It is not in the interests of third parties to enter into financial arrangements that are going to undermine them financially – perhaps even kill them off. Nor is it in the interest of public bodies to impose financial arrangements on a third party that will undermine – perhaps fatally – that party's ability to deliver the outcomes agreed in the financial agreement.

The first, and most relevant, issue is full cost recovery (FCR). You also need to think about the transfer of funding and how and when this will take place – we call this the payment model.

Monitoring and evaluation

Monitoring

'Intelligent monitoring' is the term used for putting into practice the principles of good monitoring and for avoiding the pitfalls of poor practice in monitoring.

In carrying out intelligent monitoring, there is a series of practical considerations.

Rules of thumb

There are three rules of thumb to be applied to monitoring practice.

First, start early. Begin the discussion about monitoring early, that is, before implementation. You may need to consult potential providers at this stage. Be clear about your monitoring requirements when you invite applications or tenders and be prepared to discuss them at that stage. Too often, the discussion about monitoring starts during the tender or application process, or even after the financial agreement is made. This does not allow time for proper planning. It makes it hard for the provider to cost the monitoring requirement and build that cost into its proposal for funding. All this tends to lead to disproportionate and badly-managed monitoring.

Second, justify your need for information. It is not sufficient to impose a requirement; public bodies and providers should agree the requirement. Public bodies should expect providers to ask them to justify requests for information. This contributes to good decision-making by funders.

Third, give feedback. Tell the provider what you will do with the information you ask for. Providers are more likely to engage with monitoring requirements if they can see how they contribute to higher goals. Sending information into a 'black hole' is demotivating. If a provider knows what information is needed for, it may be able to suggest a better piece of information or a better source.

All three rules of thumb depend on good dialogue between public body and provider. Monitoring that is based on open dialogue helps to build trust between the funder and provider, identify and overcome risk and helps improve how public services are delivered.

Validating questions

You can use the eight questions below to test and validate your approach to monitoring. They should be asked at regular intervals throughout the course of a financial agreement to ensure that reporting remains proportionate.

- Can the information be provided less frequently?
- Can the information be provided in time with the provider's own reporting systems?
- Can the information be reported only by exception?
- Is there an alternative item of information, perhaps more cost-effective, that could be used instead?
- Can information that the provider already collects for another funder be used instead?
- Can this information be collected on a sample basis?
- Can this information be collected other than from the provider – such as a survey?
- How can you assure the reliability of this information?

Evaluation

Purpose of evaluation

It is important to evaluate policies and programmes. It allows you to learn the lessons from one generation of public service and build them into improvements in the next.

Approaches to evaluation

There is a range of approaches to evaluation. Sometimes, a public body will commission an independent organisation – perhaps a higher education institution or independent research centre – to carry out major evaluations on its behalf. We will not seek to repeat that professional knowledge here. But we do make a few general points.

The two main approaches to evaluation are summative and formative evaluation.

Summative evaluation, also known as impact evaluation, asks questions about the impact of a specified programme on a specific group of people. This is clearly more straightforward if you have been clear about the outcomes of the programme. Summative evaluation asks how the impact compares to the original objectives, or to some other programme, or to doing nothing at all.

Formative evaluation, also known as process evaluation, asks how and why a programme has worked (or not). A formative evaluation typically studies the development of the policy and its implementation and delivery.

Other questions in the design of an evaluation include:

- The balance in the use of quantitative and qualitative information;
- The extent of use of experimental techniques, such as randomised control.
- Who benefited, and why?

Practical example: Evaluation

A government department is setting up a programme to open up wider areas of the countryside for leisure use by people from disadvantaged groups. The department decides to carry out a summative evaluation of this programme.

Successful summative evaluation depends on clarity as to the outcomes of the programme. The outcomes of this programme are potentially difficult to discern. Is it about the number of people from disadvantaged groups using the countryside? Is it about their satisfaction with the experience? Is it about longer-term benefits, such as health? Is opening up certain areas '*worth more*' than others? Is greater social cohesion between countryside residents and the visitors important?

Fortunately, the department was clear about desired outcomes when it was establishing the programme. It therefore can move quickly to set up the summative evaluation. It uses a procurement process for this. The winner is a consortium made up of a higher education

institution, a third sector organisation (TSO) that focuses on countryside issues and a TSO that works on community cohesion.

Implementation plan

To help achieve Great Commissioning, the Partnership Councils will over the next five months:

- Develop their tailored approach to commissioning based on the above guidance
- Implement an improved suite of performance indicators and service standards to ensure that:
  - services are focused on delivering the right outputs,
  - and, performance can be monitored effectively
- Produce a common report format for financial and service performance, so that reporting across the Partnership is done in a consistent way
- Ensure that our approach is outcomes focused and centred on user needs, using robust data and analysis
- Implement a commissioning calendar which details key dates in the commissioning cycle e.g. end dates for major contracts, deadlines for submission of performance reports.

Appendix A: Glossary of terms

Accountability
The obligation of individuals and organisations to report on their actions and be answerable to others for what they have done.

Administrative law
The branch of law which governs public bodies in the exercise of their public functions.

Advance payment
Payment made to a provider before that provider has incurred expenditure (that is eligible for repayment by the grant making or contracting public body) and before the product or service – or an agreed part of it – has been delivered.

Arrears payment
Payment made after the provider has incurred the expenditure and after the product or service – or an agreed part of it – has been delivered.

Capacity
Capacity is a measure of an organisation's capability and potential to apply appropriate skills and resources to accomplish its goals and satisfy its stakeholders' expectations.
High capacity organisations have:

- strong leadership, professional expertise, and good physical resources so as to deliver the range, volume and quality of services consistent with their mission; and the potential to extend the reach or variety of their services.

Low capacity organisations may be limited by:

- weak management and governance structures;
  a lack of management, financial or business skills; and
  a lack of physical assets needed to support core activities.

Capacity building
Capacity building refers to activities that help organisations to develop skills and resources so that they can achieve their objectives and serve their stakeholders more effectively. Public and private sector organisations fund this development from their own resources (including debt and equity financing in the private sector). Third sector organisations, particularly smaller ones, are less able to do so as: many do not generate surpluses to invest in this area; there is limited access to investment financing; and donors generally prefer to pay for projects which deliver visible results, rather than fund 'behind-the-scenes' activities.

Third sector organisations
At its most broadly defined, this is the arena, outside of the family, the state, and the market where people associate to advance common interests. It includes charities, community groups, faith-based organisations, professional associations, trade unions, self-help and advocacy groups.

Clawback
The concept that where an asset financed by public money is sold, all or part of the proceeds of the sale should be returned to the funder.

Commissioners
Those in public bodies responsible for, primarily involved in, commissioning. Although we refer to 'commissioners' in this guide, the guidance is appropriate for anyone involved in assessing needs, designing services, sourcing providers, monitoring and evaluation and is applicable, among others, to those involved in policy, service delivery, procurement and legal functions.

Commissioning
The cyclical process by which public bodies assess the needs of people in an area, determine priorities, design and source appropriate services, and monitor and evaluate their performance.

Community interest company
Community Interest Companies (CICS) are limited companies, with special additional features, created for the use of people who want to conduct a business or other activity for community benefit.

Compact
The voluntary and community sector's written agreement with the government (or local public bodies) which has undertakings on both sides, shared principles and values such as recognising the sector's independence, and mechanisms for making it work.

Contestability
The extent to which the provision of a good or service is open to alternative suppliers. The threat of such competition is a discipline on incumbent suppliers and tends to prevent prices rising far above costs. Should this happen then alternative suppliers will enter the market to benefit from this and seek to 'undercut' existing suppliers.

Contract
Legally binding agreements between (in this case) a public body and a third sector or private sector organisations to provide services on behalf of the public body. A contract will specify the services to be provided and what the contractor is to be paid for providing them. It will also include provisions, in greater or lesser detail, setting out the legal obligations which each of the parties accepts in order to fulfil the purposes of the contract.

Consortium
An association or combination of TSOs, sometimes with private sector and / or public sector providers, for the purpose of providing a service or services in one locality or across a wider area.

Co-operative
A business whose profits are retained for the benefit of it members and/or the community it

serves.

Cost-effective
Economically worthwhile in terms of what is achieved for the amount of money spent; if an activity is cost-effective, it is good value for the amount of money it consumes.

Judging cost-effectiveness requires that all costs are taken into account when calculating the 'money' consumed i.e. all direct and indirect costs should be included e.g. costs of people, buildings, equipment, licences, consumables, and management etc.

Council of Voluntary Service (CVS)
The co-ordinating and support body for voluntary and community organisations in a geographic area.

Decommissioning
Stopping provision of a service or a significant part of a service in order to bring about an improvement to existing service provision.

Decommissioning is a facet of commissioning – to be effective it needs to be embedded in your existing approach to commissioning and take a strategic and holistic commissioning approach.

Economical
Minimising the cost of resources used for an activity, while having regard to appropriate quality.

Economies of scale
The reduction in unit cost achieved by increasing the amount of production.

For example, re-routing enables a patient transport service to pick up and deliver more patients between their homes and treatment centres using the same number of drivers, drivers' time, and vehicles. The average cost of delivering a patient is reduced.

Efficient
An efficient activity maximises output for a given input, or minimises input for a given output and, in so doing, pays due regard to appropriate quality.

Effective
Successfully achieving the intended outcomes from an activity.

Enforceability
The extent to which a grant agreement or contract allows the funder to impose legally binding conditions between themselves and the service provider.

Evaluation
The assessment of the extent to which a programme or service has met its objectives: Its

main purpose is to help an organisation reflect on what it is trying to achieve, assessing how far it is succeeding, and identify required changes.

There are two sorts of evaluation – formative and summative:

Formative evaluation assesses a programme as it is being put in place and delivered. This should feedback into the delivery of that programme;

Summative evaluation assesses a programme when it is complete. This should feedback into future or other programmes.

Financial agreement
In the form of a grant agreement or contract.

Formative evaluation
See 'Evaluation'.

Full cost recovery (FCR)
The principle that when a third sector organisation provides a service for a public body it should be able to recover all the costs of delivering that service. This includes not just the direct costs of the service but also the relevant proportion of all overhead costs. These overhead costs may include: premises and related costs; central functions, such as, human resources; governance and strategic development; provision for inflation and depreciation; and regulatory costs.

Grant
A sum of money given to an organisation in anticipation of it being applied for an agreed purpose. This purpose may be very specific (e.g. to fit a smoke alarm in an old person's house) or less specific (e.g. to promote fire safety among old people).

Grant-in-aid
A sum of money given to an organisation to be applied in general support for the objectives of that organisation.

A payment by a government department (normally referred to as the "sponsor department") to finance all or part of the costs of the body in receipt of the grant in aid. Grant in aid is paid where the government has decided, subject to Parliamentary controls, that the recipient body should operate at arm's length. The sponsor department does not therefore seek to impose the same detailed controls over day-to-day expenditure as it would over a grant.

Intellectual property
Property is simply a bundle of rights to own, use and prevent others from using something, for example a plot of land, a car or a house. Intellectual Property (IP) is a bundle of rights that protects applications of ideas and information that have commercial value. IP rights give creators certain exclusive rights over the knowledge and information they create (e.g. the text of a book) to prevent others using it without permission.

Unlike physical property, knowledge, ideas and creations are partial 'public goods'. Knowledge is inherently non-rivalrous. That means one person's possession, use and enjoyment of the good is not diminished by another's possession, use and enjoyment of the good. By contrast, physical property is typically rivalrous, with one person's consumption preventing simultaneous consumption by another. Privatising property gives rights over it to a legal individual, creating a legal barrier which prevents others from accessing it. IP confers a set of time-limited legal rights over the expression and use of certain ideas. Although the knowledge protected by the IP remains non-rivalrous, the legal force of IP rights prevents others from using it.

Management cost
See 'Full Cost Recovery'.

Monitoring
In this case, the ongoing collection of information about the programme and assessment of the implications. Such information may be needed for three purposes: effective management of the programme; wider accountability for the programme; and policy development.

Mutual
A privately held company owned by its users.

Objective
Something you need to achieve in order to meet your goal. To be effective, objectives should ALWAYS be written so that they are SMART (Specific, Measurable, Achievable/Agreed, Relevant and Time-bound).

Outcome
The term used to describe the totality of what a programme or project is set up to deliver or achieve.

Output
The end result of carrying out an activity – usually a product. It is important to distinguish what has been produced (the output) from the effect that it may be designed to help achieve (the outcome).

Payment formula
A financial model must include the appropriate mix of bases and timings – this is called the payment formula. The payment formula must follow from the objectives of the programme, and the agreed approach to risk management.

Procurement
Acquisition of goods and services from third party suppliers under legally binding contractual terms. Such acquisitions are for the direct benefit of the contracting authority, necessary for the delivery of the services it provides or the running of its own business. Procurement is normally achieved through competition, and will be conducted in line with the government's

policy of value for money and in line with the Public Contracts Regulations 2006.

Programme
A portfolio of projects selected, planned and managed in a co-ordinated way.

Project
A temporary organisation formed to produce a unique and pre-defined outcome, or result, to a pre-specified timescale, using predetermined resources. It is important to understand that a project is something that can be planned and is something with a specific end in sight and which is managed to deliver as a single coherent whole.

Proportionality
The principle of not burdening funded organisations out of proportion to the amount of funding, which applies especially to monitoring. Guidance states that monitoring arrangements etc. should be proportionate to the level of, and risk to, the amount of funds involved.

Propriety
Linked to regularity, it is the further requirement that funds must be handled in accordance with Parliament's intentions and Parliamentary control. Decisions must be taken fairly and be free from undue influence.

Public Service Agreement
An agreement negotiated between central government and a local authority to deliver improved outcomes in return for greater freedom in the means of delivery, and financial incentives. It specifies how public funds will be used to ensure value for money.

Regularity
Linked to propriety, it is the requirement for funds to only be used for the purposes for which they were awarded.

Risk register
A document used to record the risks facing a project or programme, usually produced as a table. It should, as a minimum, record a description of each risk, an assessment of its likelihood and impact and the management actions to be taken to minimise the risk, though it can be more sophisticated.

Senior Responsible Owner (SRO)
The single individual with overall responsibility for ensuring that a project or programme meets its objectives and delivers the projected benefits.

Social Enterprise
A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners.

Spending review
A statement of the government's spending plans for a particular period.

Standards in Public Life
Expressed in seven principles which the Committee on Standards in Public Life believes all public servants must adhere to:

Selflessness
Integrity
Objectivity
Accountability
Openness
Honesty
Leadership

State aid
EU law on state aid aims to prevent member states from unfairly distorting competition within the EU, except in certain permitted circumstances. A prohibited state aid exists if all of the following four criteria apply to the proposed programme:

It is granted by the state or through state resources
It favours certain undertakings or the production of certain goods
It distorts or threatens to distort competition
It has the potential to affect trade within the EU

Strategic grant
Used by local funders to support the ongoing core activities of an organisation. Those activities are recognised to be of strategic importance in that they facilitate the achievement of other, more specific objectives of the funding organisation.

Strategic spending cycle
The period (usually 3 years) over which public funds are committed to address strategic goals.

Summative evaluation
See 'Evaluation'.

Sustainable financing
Paying an organisation the full cost of the activity which you are funding so as not to threaten their financial wellbeing. See also 'Full Cost Recovery'.

Third sector
Non-governmental organisations that are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives. It includes voluntary and community organisations, charities, social enterprises, cooperatives and mutuals.

Transparent costing
Means by which management costs are able to be apportioned to an organisation's activities. See also 'Apportioned costs' and 'Full Cost Recovery'.

TUPE
An acronym for the Transfer of Undertakings (Protection of Employment) Regulations 2006. The purpose of TUPE is to protect employees if a business or undertaking in which they are employed changes hands.

Value for money (VfM)
The optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user's requirement. Assessed by the National Audit Office using the criteria of economy, efficiency and effectiveness.

Vires
The power in legislation for the funder to carry out the activity envisaged in the policy intent for a programme. This may be a power that is specific to the programme; or it may be a more general power that may be used to fund a range of programmes, including the one at hand.

Voluntary and community sector (VCS)
Umbrella term used to refer to registered charities, non-charitable non-profit organisations, associations, self-help group and community groups.

Whole-life cost
The full cost to an organisation of a solution to a requirement over the full period that the requirement will exist. Whole life costs will take into account running costs such as energy usage, maintenance requirements, staff training needs, and disposal costs such as recycling, as well as the initial purchase price. The life span of the product will also need to be considered.