



# Commissioning Skills Training

Creating Effective and  
Efficient Markets

# Joint Planning and Commissioning Framework

Children's trusts will need to help to shape both the workforce and the children's services market, so as to ensure the efficiency, effectiveness and long-term sustainability of services. Children's trusts should decide:

- If or when in-house services should be contracted out.
- How smaller providers will be supported.
- To what extent the markets need to be strengthened in terms of the number, size and range of providers.
- How children, young people and families can have more choice about the services they access.

# Children's markets – quasi market characteristics

- High degree of continuity in the personnel, and long term relationships.
- Market-like mechanisms, including contracting.
- A relational market.
- Professionals often purchase services on the part of both the organisation and the client.
- The market is often inward-facing, to minimise services failure
- Heavily regulated by central government.

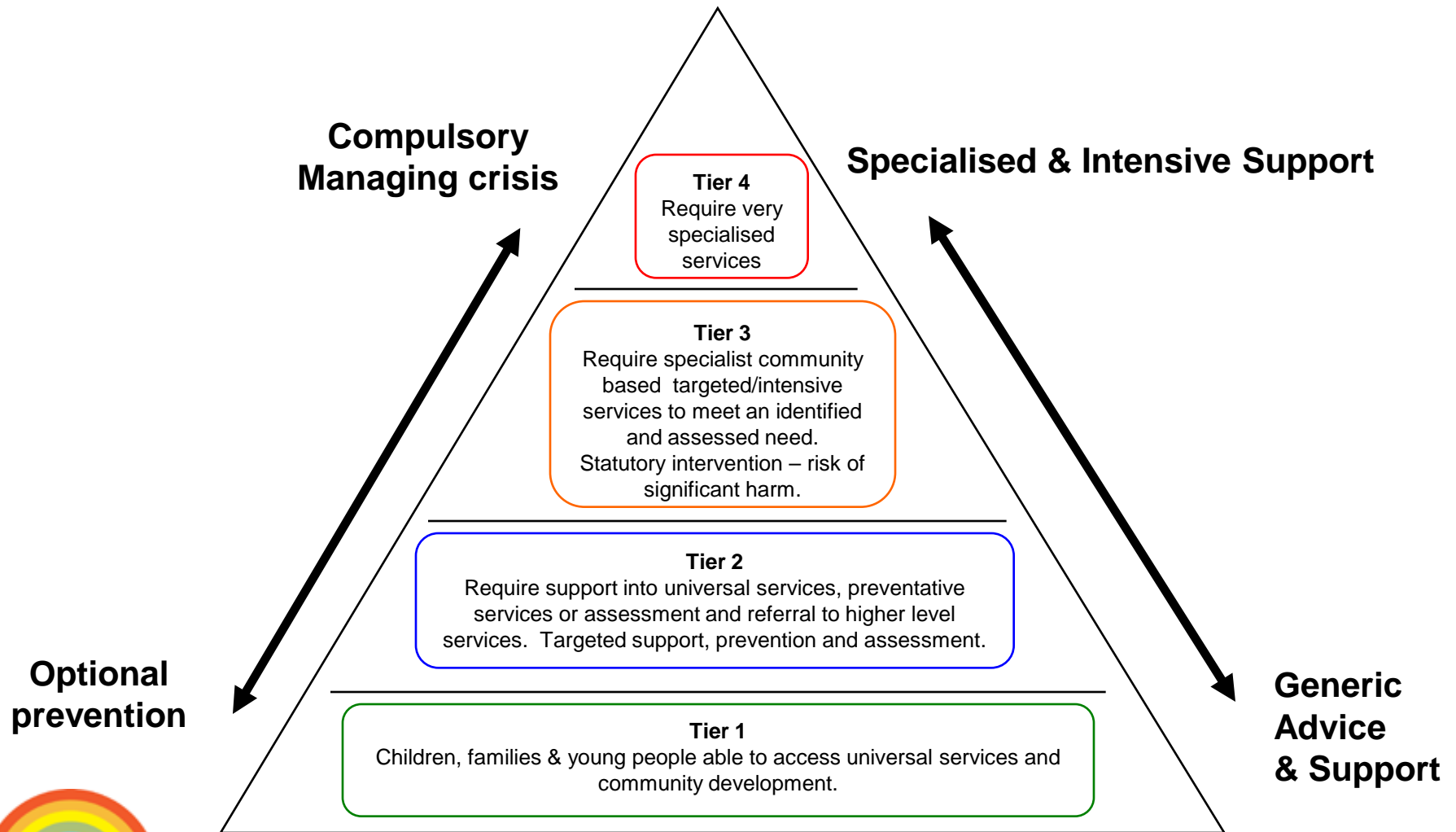
# Traditional weaknesses of a quasi market

- Potential for inappropriately strong influence of providers.
- Service users have very limited mechanisms available to them to influence the market.
- Service users have very limited choice of services available.

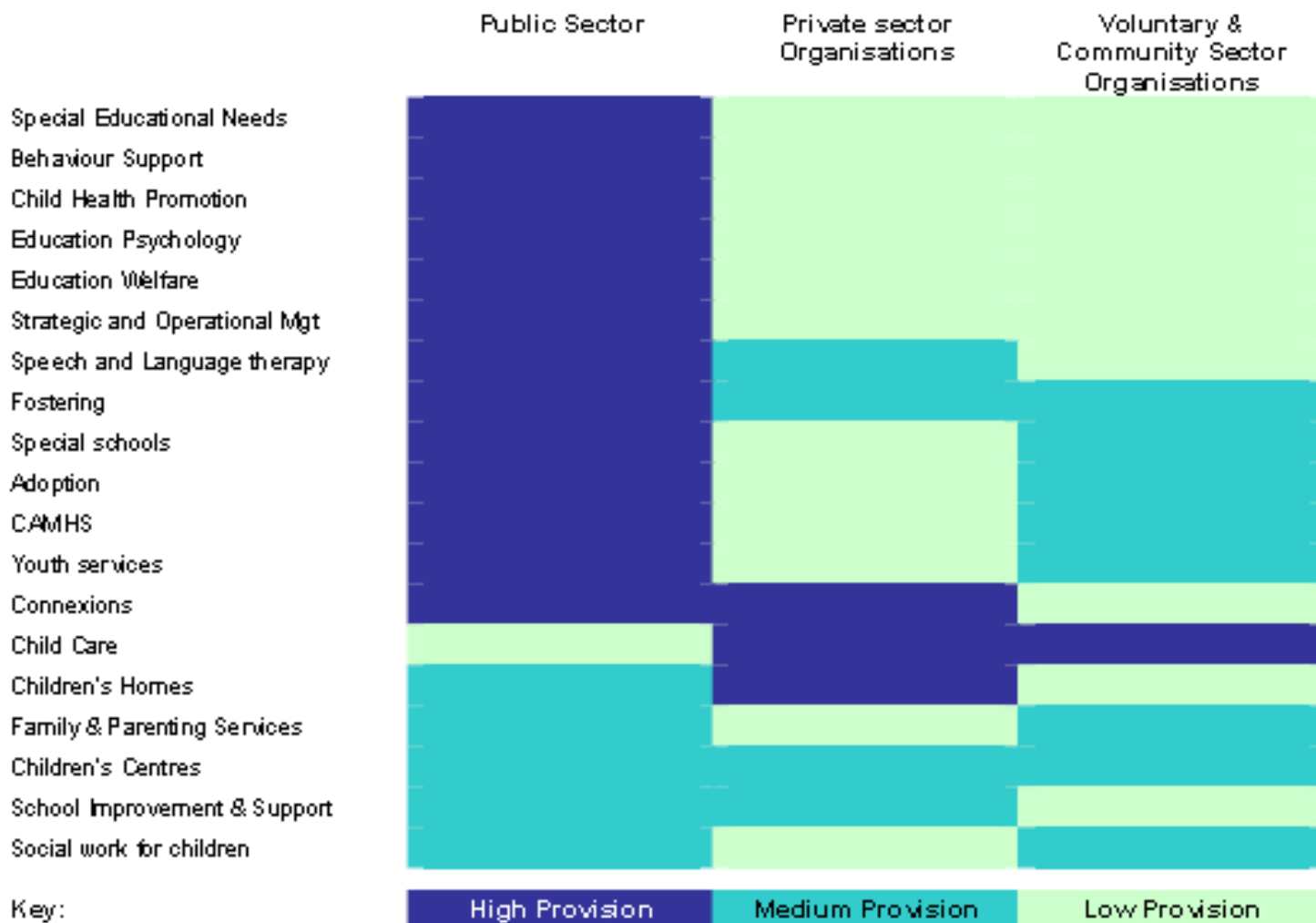
# Children's markets – stratified in many ways

- Service levels
- Age
- Public, private, voluntary & community sectors
- Local, regional, national
- Barriers to entry and exit
- Number and market share of providers

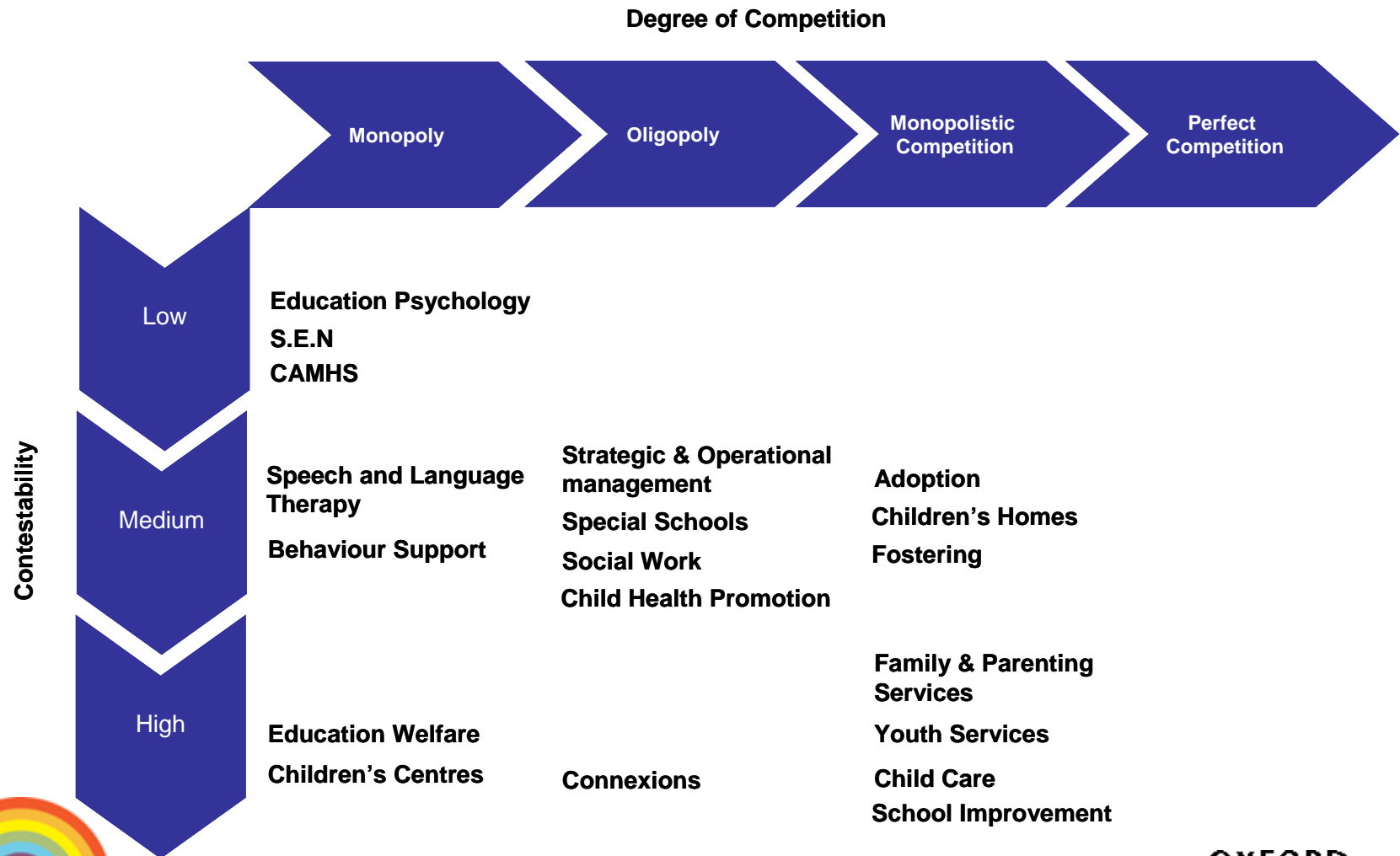
# Children's markets – service levels



# Children's markets – sectors



# Children's markets – market structure and barriers



*Scoping the market for children's services, PWC 2004*



# Benefits of contestability

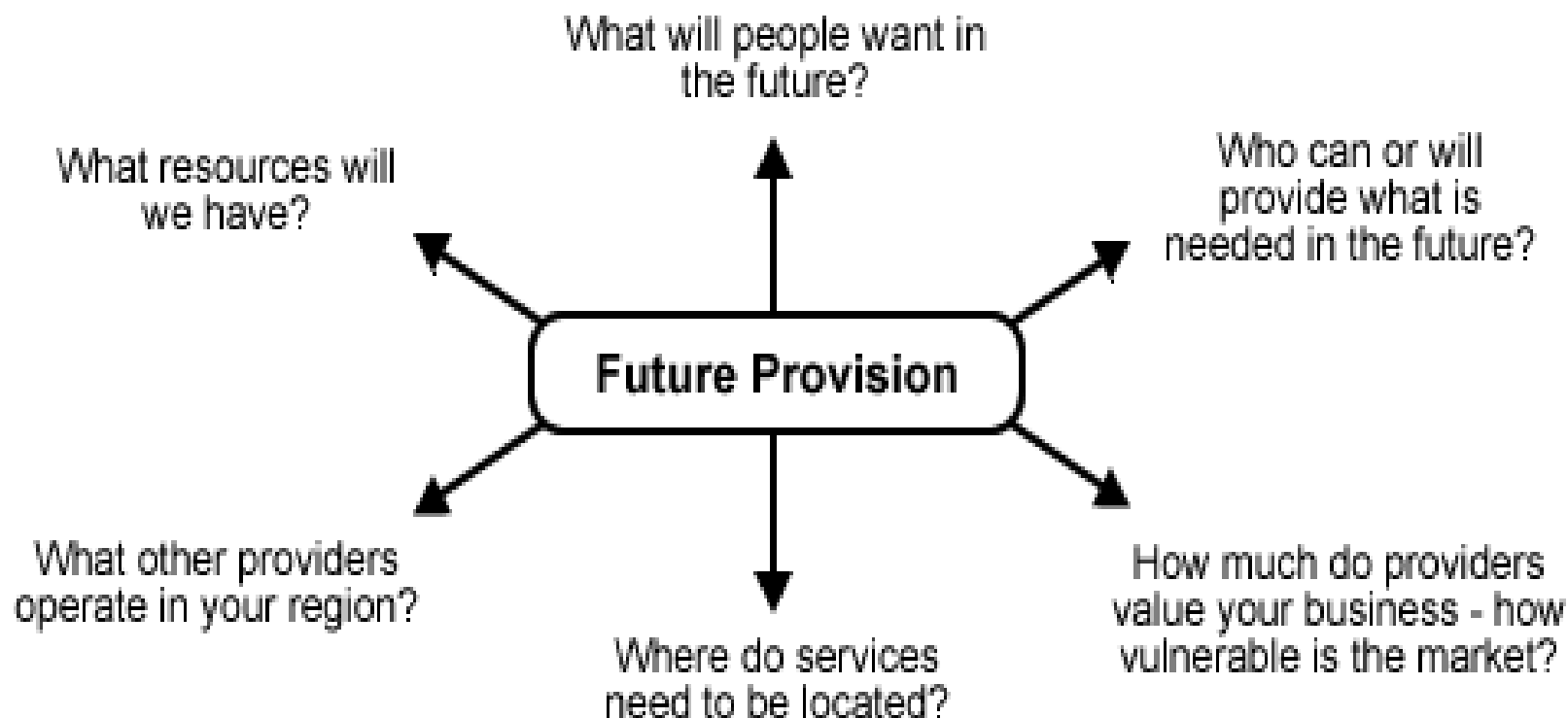
- Ensuring that costs and performance measures are at competitive levels.
- Stimulating service development and the potential for innovation.
- More sustainability through building competitive markets.
- Choice of provider (for both the commissioner and the end user) so that an alternative provider is available should the quality of the existing service be unacceptable.

# Market influencing

Commissioners should ensure that there is appropriate provision available to meet needs and deliver effective outcomes both now and in the future. Market influencing activities need to increase contestability by addressing potential barriers to entry. This includes:

- Using market dialogue to develop effective and strong partnerships with current and potential providers.
- Market shaping activities to build capacity in the market.
- Transparent, fair procurement.

# Understanding future provision



# Exercise - your current market influencing methods

Market influencing method	<i>Eg. Support (training, business development etc)</i>	<i>Eg. Capacity building</i>		
In-house provider				
NHS Trust				
CVS providers				
Private providers	<i>Access to LA Business Development Officer</i>			

# Market dialogue

*"We believe it essential, and entirely consistent with good procurement practice, for commissioners to develop effective and strong partnerships with current and potential providers. This includes more strategic, earlier discussion with provider communities about need."*

Commissioning Framework for Health and Wellbeing – DH, March 2007

- Deciding what are the best routes to signal intentions to the market, and more strategic, earlier discussion with provider communities about need e.g. through JSNA.
- Effective management of relationships with providers.
- Developing strategic partnerships i.e. long term relationships with other commissioners or providers via joint ventures with the statutory or independent sector - to reduce transaction costs, share risks or build capacity.

# Market dialogue examples

- Common, and regular, approaches to liaison with providers e.g. forums, open book accounting. Focussing discussion with providers around need.
- Improving communications with and from providers - develop a communications plan, publish strategies/plans.
- Specifying a clear role for internal services, including pricing, SLAs and clearer separation of duties between commissioning and provision.
- Run procurement 'open days' or 'meet the buyer' events and appoint named officers linked to these events.
- Procurement compacts e.g. with the voluntary sector.
- 'How to do business with the Local Authority/PCT' guide.

# Market shaping

*“Commissioners should actively encourage a strong provider market, based on a diverse supply community from all sectors.... encourage entry by new participants and growth from underdeveloped sources of supply, including social enterprises and the third sector.”*

Commissioning Framework for Health and Wellbeing – DH, March 2007

- Developing a vision of what the market should look like, when more individuals have their own budget to pay from.
- Encouraging greater contestability in the market – to promote diversity and choice in the market.
- Avoiding local monopolies, rewarding innovation, protecting necessary but vulnerable suppliers.

# Market shaping examples

- Approved lists and accreditation schemes of potential providers that people can choose from.
- Capacity building activities e.g. training to meet standards, or in writing tenders or finding sources of funding.
- Shared information or intelligence about providers.
- Market sounding exercises such as surveys, workshops, focus groups, interviews or consultations.
- Negotiating incentives to encourage providers to enter new markets or to improve standards.
- Developing eBay style websites to enable users to publicise their experiences of services and particular providers, and eventually to include online purchasing, e.g. shop4support.



# Fair procurement

*“Commissioners have a key role to play in shaping the market through dialogue and procurement to stimulate providers to produce innovative solutions and create an environment where these can be sustained. This includes transparent fair procurement.”*

Commissioning Framework for Health and Wellbeing – DH, March 2007

- Developing ‘fairer’ purchasing to ensure a real or perceived level playing field for all providers.
- Minimising the administrative burden of procurement.
- Clearly specifying and monitoring SLAs/contracts.

# Procurement examples

- Use standardised procurement processes based on best practice:
  - Best practice tendering processes.
  - Fair contract terms and conditions.
  - Model service specification template.
  - Outcome-based purchasing.
  - Framework agreements.