

National Market Development Forum

How Will 'Personalisation' Change The Way Services Are Procured? Discussion Paper 3

The National Market Development Forum (NMDF) involves leaders from local authorities, voluntary organisations, private service providers and national umbrella bodies. The NMDF has been funded through the Putting People First (PPF) Consortium as part of the PPF Delivery Programme.

Acknowledgment

The National Market Development Forum (NMDF), established in 2010 and resourced by the Putting People First Consortium, involves around fifty key individuals from a range of independent sector social care and housing providers and national umbrella bodies, as well as representatives from councils, government and CQC. Its purpose is to explore some of the challenges of market development in adult social care in the context of personalisation, and to propose practical ways in which partners can work together to address them in the future. The NMDF is supported by the Department of Health, the Association of Directors of Adult Social Services, the Local Government Association, and LGID (formerly IDeA). The Institute of Public Care (IPC) at Oxford Brookes University has acted as a facilitator of the Forum.

This is one in a series of papers developed by IPC for the Forum.

Disclaimer

The papers, prepared by IPC, do not seek to represent the views of any single organisation on the Forum, nor that of the Putting People First Consortium (The Department of Health, ADASS, LGA, and LGID). Equally, they do not represent the views of individual members of the Forum. Rather, they summarise the discussions and conclusions that arose during the course of the Forum's meetings. Where there was no consensus across the Forum about a particular issue, the papers have attempted to present a diverse range of views as objectively as possible.

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Discussion Paper 3

Introduction

This briefing note is intended to help local authorities and providers to consider how social care procurement is changing in response to the personalisation agenda, and how it will need to change further in the future. With the key policy themes in mind, it draws on evidence that gives a flavour of how things have worked to date, some of the issues and challenges, and sets out some thinking about emerging models of practice. It has been developed by the National Market Development Forum, and we hope that it will stimulate further discussion between local authorities and their partners.

The policy context

Commissioners and providers of social care have a range of policy challenges facing them at the current time, of which there are three overarching themes that are likely to have a particularly significant impact on procurement:

- Personalisation
- Integrated services
- Restrictions in funding and efficiencies

Personalisation

Personalisation is a key element of the public service reform agenda aimed at putting people (users of services) first. Its central focus is responding to individuals needs, wants and hopes rather than fitting people into existing services and ensuring that they have the means and support to live a full life and can contribute to society.¹ Current policy requires that over time, all people with ongoing care and support needs who are eligible for state funding should receive this through a personal budget. Personal budgets can be managed in a variety of ways, from the individual choosing to receive a direct payment to meet all or part of their eligible needs, to their choosing for the council or another third party to manage this money on their behalf.

¹ English Community Care Association (2010). Personalising Care: A route map to delivery for care providers.

The *Transforming Adult Social Care*² circulars have clarified the scope of personalisation and introduced considerable change to the responsibility placed on local authorities concerning the purchasing of services for people in need of care and support.

In general Personalisation has been welcomed by providers. As the ECCA publication, (focused on care homes) states “Personalisation presents opportunities for providers, to ensure better outcomes for service users and increased opportunities to engage staff, to attract new business and to work more flexibly”.³ However, there are also challenges such as; the impact on costs for providers, how is choice to be delivered in areas where it is hard to even provide services and is real choice about who provides, what is provided or how do I choose who is to be my key worker?

Integrated Services

The second key policy agenda is integration of services, most recently encapsulated in the ‘*Total Place*’ programme, which also picks up some of the citizen orientated themes of the social care personalisation agenda. *“The Total Place approach – putting the citizen at the heart of service design - has helped opened the door for local partnerships to discover what can be done to improve the system and to push forward great, innovative, ideas and solutions to change the way services are delivered. It has meant looking for new ways of co-operation, at local level and between local level and Whitehall”.*⁴

However, Total Place also looks for other outcomes from its change approach. In essence to achieve efficiency savings though combining services and approaches and hence removing duplication.

The Total Place approach has three basic themes:

- Counting – Mapping spend to identify where public money can be spent more effectively and efficiently.
- Culture – Challenging existing cultures about how things are done and identifying whether they help or hinder people getting what they need.
- Customers – helping to understand customer needs and identify opportunities for collaboration between agencies on service redesign and use of resources.

It is not clear whether Total Place will continue under the new coalition government, and if it does what form it will take. Our current understanding is that the underlying principles of Total Place are accepted, and that its transformative agenda and methodology are likely to remain, although the name and the brand will disappear.

² Transforming Adult Social Care (LAC) (DH) 2008.1, Transforming Adult Social Care (LAC) (DH) 2009.1, Transforming Adult Social Care (LAC) (DH) 2010.1

³ English Community Care Association (2010). Personalising Care: A route map to delivery for care providers.

⁴ HM Treasury (2010). Total Place: a whole area approach to public services.

Value for Money

The third key policy agenda is driven by the need for greater efficiency. The previous government's vision for local public services required councils to improve procurement practice and the management of contracts and their relationships with suppliers.⁵ The overarching policy on public procurement is to achieve value for money (VFM), which is defined as the optimum combination of whole life costs and quality to meet the user's requirement.⁶ The *National Procurement Strategy for Local Government*⁷ illustrated how to use innovative ways to procure, work in partnership with others, and manage services.

Considerable work has been undertaken by the Office of Government Commerce in producing practical guidance designed to ensure that the procurement process is fair, proportionate, cost effective and results in mutually beneficial contracts and partnerships,⁸ and at a policy level the Government has recognised the significant contribution that the private, voluntary and community sector make.

The challenge facing social care commissioners is to ensure that these three policy drivers are complementary and can achieve their combined goals in practice. For providers it is in knowing how to position themselves in relation to agendas that may appear contradictory.

A new purchasing era

Up until the 1980's in England the procurement of public care was relatively straight forward. A small number of people and local authorities purchased from the independent and voluntary sectors but predominantly care was funded and delivered by the local authority.

That changed with the publication of the Griffiths Report in 1988⁹ and subsequent legislation in the NHS and Community Care Act 1990. Griffiths sought to "encourage a proportionate increase in private and voluntary services as distinct from directly provided services", and saw the purchase of services from these sectors as the model for development. In England the legislation transferred resources from social security budgets to local authorities whilst at the same time ensuring that 75 % (later 85 %) of the grant was spent in the independent sector.

The outcome of these twin financial levers was a remarkable explosion in the sector with local authorities rapidly divesting themselves of directly managed care homes to housing associations, voluntary and private sector providers. In 1990 20 % of residents in care

⁵ ODPM (2003). *National Procurement Strategy for Local Government*.

⁶ OGC (2004). *Think smart ... think voluntary sector!: Good practice guidance on procurement of services from the voluntary and community sector*.

⁷ ODPM (2003). *National Procurement Strategy for Local Government*.

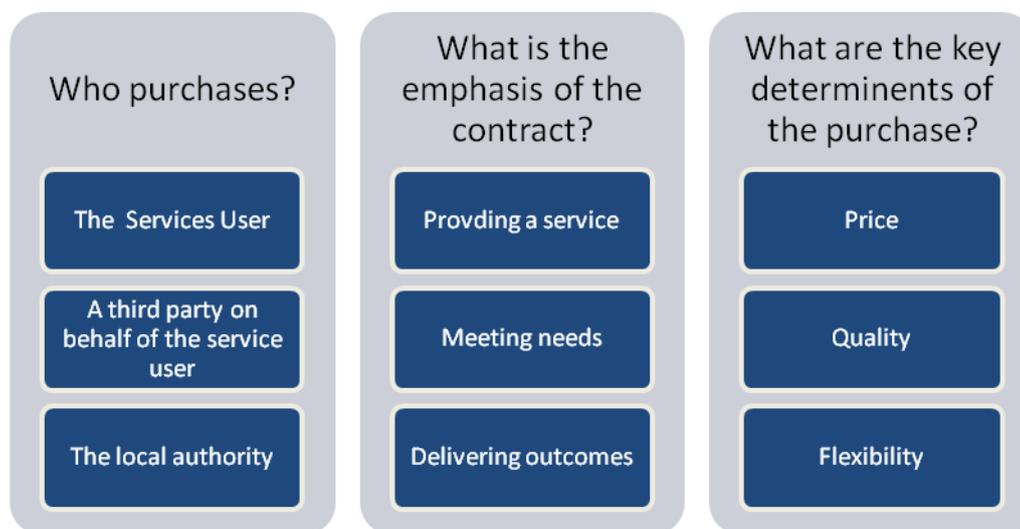
⁸ OGC (2004). *Think smart ... think voluntary sector!: Good practice guidance on procurement of services from the voluntary and community sector*.

⁹ *Community care: Agenda for action* The Griffiths Report London: HMSO 1988

homes were in the independent sector; that proportion now stands at 90 percent. Similarly, after a slow start in domiciliary care, over 80 % of hours funded by local authorities are now bought from independent care providers compared with 5% in 1993.

The perception now is that of entering a third era of procurement arrangements where the emphasis moves from who provides to who purchases and increasingly, the nature of the purchase decision itself. As Fig 1 suggests this can be seen from three perspectives; who purchases, what is the basis of the contract and what factors are likely to be key drivers behind the process.

Figure 1. Key Decisions in Procurement



Who purchases: Notwithstanding personalisation, there is likely to be a continued role for the local authority in purchasing some people’s care and support. This may be via a range of framework agreements or where the LA part purchases the core elements of certain services, with the user choosing and/or purchasing the remaining elements of their care. Third party arrangements reflect contracts with agencies who will manage an individual’s personal budget for them, such as brokers or indeed a service provider (Individual Service Funds). There are risk assessment issues here when an individual’s capacity to make decisions is impaired; should such decisions be best made by the service user the family or professional health and care staff? These issues are equally applicable to those using their own money (i.e. self funders) as personal budget-holders, and there is likely to be an ongoing tension between safety and risk and the competency of the individual to make those decisions.

The emphasis of the contract: In recent years there has also begun a shift away from a simple matching of needs with a service. In part this has come about through a recognition that matching needs and services has too often meant a dominance of the latter at the expense of the former, ie, ‘these are the services available into which your needs have to fit’. However, there is also an increased recognition that measuring performance simply by volume or speed may not tell us much about whether desired outcomes are achieved. Therefore, in this instance the contract may continue to emphasise the straight provision of a service, it may focus on how an individual’s needs can be met or it may argue that the priority is the achievement of an outcome regardless of who provides what service.

Key determinants: For self funders, personal budget holders and local authorities there are a number of determinants that influence the purchase choice, with traditionally price and quality being seen as the two main drivers. However, a range of research also suggests that flexibility in terms of what care and support is delivered, when, is of concern to the whole market of service users. It might be hoped that the use of personal budgets might increase flexibility of care delivery although the evidence from existing self funders is not strong, particularly where market competition is weak. Therefore, encouraging flexibility of provision may be a key part of the local authority commissioning role in the future.

Although these are relatively early days in relation to personalisation, there is already significant experience on the ground, and a growing body of evidence which highlights some of the opportunities it has opened up, in relation to procurement practice, as well as the significant challenges that it brings to all parties involved.

What's been said about procurement and personalisation

In this new purchasing era effective procurement within the context of personalisation has been seen to offer a way forward for practitioners and providers:

"A person will be able to take all or part of their personal budget as a direct payment, to pay for their own support either by employing individuals themselves or for purchasing support through an agency. Others may wish, once they have decided on their preferred package, to have the council continue to pay for this directly. The approach, which may be a combination of both, will depend on what works best for them".¹⁰

A recent paper from the Department of Health considered the way that domiciliary care contracts were changing across six Local Authority areas who have high numbers of personal budgets already and are gearing up for further expansion. The paper notes that:

"...all but one of the sites has adopted a framework approach to contracting for domiciliary care. This has involved providers signing up to provide flexible and personalised services without a minimum guarantee of volume or demand. In all cases, the detail of the service delivered to an individual is determined between the personal budget holder and the provider based on information in their support plan, though the framework identifies broad outcomes for the contract overall. To ensure accessibility and the extension of choice and control to a wider range of people, the frameworks have also required providers to make ISFs (or their equivalent by another name) available to personal budget holders".¹¹

¹⁰ Transforming Adult Social Care (LAC) (DH) 2009.1

¹¹ Contracting for personalised outcomes: learning from emerging practice (DH) 2009

In 2003, the then Office for the Deputy Prime Minister noted that:

*'Procurement is the process of acquiring goods, works and services, covering both acquisition from third parties and from in-house providers. The process spans the **whole life cycle** from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical 'make or buy' decision.'*¹²

There is an increasing recognition by government that private and third sector providers and public sector commissioners need to become more adept at managing a procurement culture. The Office for the Third Sector noted in 2010 that this includes: 'gearing up for probable 'cuts'; collaboration to share overheads and making savings; mutual support to ensure small groups and volunteers are not lost in the agenda; getting better at sector intelligence; greater collaborative working between statutory and third sector organisations.¹³ This also fits with the Total Place approach, as Michael Bichard noted at a recent conference; "I am absolutely convinced that the third sector and wider civil society has to be at the heart of our thinking on Total Place".¹⁴

*"Procurement frameworks can provide a vehicle for Authorities to organise spend on key goods and services more effectively. Collaborations of this nature can deliver lower unit costs, reduced contract management time, improved strategic planning and promote significant competition and interest from suppliers".*¹⁵

One of the arguments frequently propounded in making purchasing decisions in social care, particularly when it comes to prevention is the difficulty of representing wider gain. Social Return on Investment from the Office of the Third Sector proposes a route to measuring this type of gain.

*"Every day our actions and activities create and destroy value; they change the world around us. Although the value we create goes far beyond what can be captured in financial terms, this is, for the most part, the only type of value that is measured and accounted for. As a result, things that can be bought and sold take on a greater significance and many important things get left out. Decisions made like this may not be as good as they could be as they are based on incomplete information about full impacts. Social Return on Investment (SROI) is a framework for measuring and accounting for this much broader concept of value; it seeks to reduce inequality and environmental degradation and improve wellbeing by incorporating social, environmental and economic costs and benefits".*¹⁶

¹² ODPM (2003). National Procurement Strategy for Local Government.

¹³ OTS (2010). Total Place and the Third Sector: Conference report.
<http://www.idea.gov.uk/idk/aio/18589470>

¹⁴ <http://www.idea.gov.uk/idk/aio/18589470>

¹⁵ Procurement Frameworks- all aboard for greater efficiency? SE Centre of Excellence, January 2008 (V 2.0)

¹⁶ V A Guide to Social Return on Investment, Office of the Third Sector, Cabinet Office, May 2009

The SROI framework is sometimes considered disproportionately complex for some procurement processes, and increasingly, social clauses have been used as a simpler mechanism for seeking to ensure that a social dimension is adequately reflected. They “may include social requirements within the technical specification and award criteria or a contract, where they are relevant to the subject of the contract”.¹⁷

Procurement challenges and opportunities

Balancing the need for efficiency, effectiveness and individual choice in the procurement of services will bring significant challenges, as well as opportunities, over the next few years in social care, especially in view of the coalition government’s intention to extend the introduction of personal budgets in social care in parallel with public expenditure reduction. The challenges include:

- Balancing the need for quality and affordability in a difficult financial environment, and at a time of continuing demand increases from the population and ensuring that people can effectively choose this balance for themselves when purchasing services with their personal budgets.
- Addressing the challenges that existing legal requirements and different local authority standing orders present in achieving flexible and responsive procurement and contracting processes. NAVCA and NCVO, in a guide for third sector organisations,¹⁸ underlines the need for commissioners to make documentation clearer, ensure tendering periods are adequate, and that interview dates are flexible.
- Using tendering and contracting practices which ensure market stability, whilst at the same time delivering choice and control for users.
- Ensuring that the responsibility of the local authority to ensure service supply does not lead to unfair over-reliance on in-house services at the expense of external providers. This can be facilitated by effective engagement by commissioners with the market at the pre-procurement stage, as recommended by NAVCA and NCVO.¹⁹
- Ensuring that those individuals funded by the local authority can still compete for services alongside a growing market of self funders.
- Ensuring that those with personal budgets and self funders have sufficient information /knowledge and confidence to successfully purchase services for themselves.
- Ensuring that procurement practice does not undermine small providers.
- Developing realistic outcome-based specifications, contracts and services that work for both commissioners and providers and deliver the outcomes for individuals.
- Finding effective mechanisms for engaging with people using services and third sector organisations so that communities are involved in service design aimed at delivering broader social outcomes. This is reflected in London Borough of Camden’s Sustainable

¹⁷ Cabinet Office (2008) Report of the Social Clauses Project

¹⁸ Pathways through the Maze. A Guide to Procurement Law, NAVCA/NCVO, 2009

¹⁹ Ibid

Commissioning Model, in work within Children's Trusts. A further example can be found in Working Together for Change.²⁰

- Using procurement practices which allow appropriate risk sharing and market development where needed, and which ensure that there is sufficient investment in service development and innovation.

What commissioners and providers need to do

So far, the experience and emerging practice of commissioners and providers in addressing the challenges of the new era suggest that a number of key elements are fundamental to effective procurement practice. The following were identified as being particularly important by National Market Development Forum members:

- Engagement between stakeholders at the earliest opportunity
- Building the right alliance for the job
- Building and sustaining high quality relationships
- Innovation
- Flexibility
- Willingness and ability to share risks
- Cost effectiveness
- Support for capacity building
- A focus on outcomes – and clarity about what's to be achieved.
- Clarity about added social value
- Paying attention to shared strategic vision

We hope this document has been useful and thought provoking and that it can be used as the basis for discussion between purchasers and providers in your local area.

²⁰ Working together for change: using person-centred information for commissioning, (DH) 2009