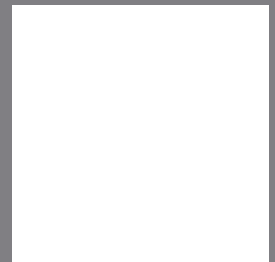
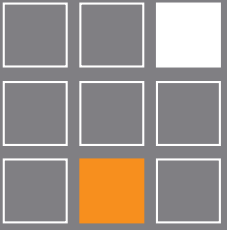




# national programme for **third sector** commissioning



**a better return:**  
setting the foundations for  
intelligent commissioning to  
achieve value for money  
January 2009



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# foreword

The National Programme for Third Sector Commissioning retained nef (the new economics foundation) to research and report how best the Third Sector could evidence its wider impact on public services and their delivery. The objective of the research was to start and build an evidence base about the benefit of the third sector to commissioners. It was agreed that a number of case studies would be identified which covered different types of service, geographical areas and levels of complexity.

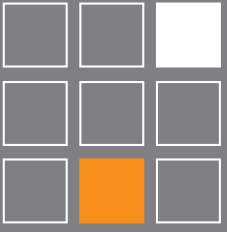
It is hoped that the report will assist commissioners and others in the following ways.

- as a reminder of HMT's definition of value for money which focuses on full value or public benefit not simply on unit costs
- by encouraging commissioners and organisations to develop and implement the appropriate measurement tools, such as Social Return on Investment (SROI), to capture the full public benefit that providers say they will provide. This builds on the Office of the Third Sector's welcome decision to invest in research to develop a standardised approach to SROI
- by encouraging commissioners and others to adopt a co-production approach which utilises to the full the skills and experiences of users of services
- by further encouraging commissioners to explore and utilise an outcome based commissioning approach
- by recognising, in the case studies, the efforts to use an evidence based approach as to why commissioning from the third sector can capture added social, economic and environmental benefits that promotes public policy and well being. The need for an evidence based approach has been acknowledged by both commissioners and providers. The Office of the Third Sector's recent commissioning of Birmingham University to provide substantive research resources is a welcome development in this area
- by encouraging public sector organisations to set the context and the framework for intelligent commissioning to thrive and make its contribution to meeting the challenges ahead
- by recognising the importance of capturing cross-departmental savings and encouraging such savings.

It is hoped that colleagues across the public sector find the report a useful contribution to the continuing development of commissioning in the public sector.

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National Programme  
for Third Sector  
Commissioning  
January 2009



# 1. introduction

This report is for public service leaders, commissioners and all concerned with spending public money and delivering effective public services. It was commissioned as part of the National Programme for Third Sector Commissioning. Public services are facing a number of complex challenges such as:

- meeting increasing and more complex needs of service users and communities
- living within increasingly constrained budgets, both in terms of revenue and capital, during a possible period of recession
- reconciling competing priorities for scarce resources
- ensuring environmental sustainability in delivering services
- coping with a complex and often changing set of policies and priorities.

The way in which the public sector commissions services could help to meet these challenges. In theory, intelligent commissioning can tap into resources that already exist in the community, to create more value for the users of a service, the wider public and environment, as well as for the public purse.

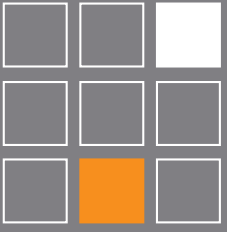
Yet, in practice, commissioning to deliver 'full' or 'best' value for communities and the public is a difficult and complex task, particularly in a time of financial constraint and when the institutional context presents barriers. The pressure to achieve short-term savings persists even though the pursuit of these often runs counter to the Government's own definition of value for money, as set out by Her Majesty's Treasury (HMT).

A key objective of this report is to encourage public service leaders to develop an enabling institutional framework for intelligent commissioning. The report sets out to do this by:

- firstly, showing that better outcomes can be achieved for people, communities, the environment and public purse when the Government's own definition of value for money is put at the heart of intelligent commissioning frameworks
- secondly, showing how the institutional and regulatory context can encourage intelligent commissioning that achieves value for money
- thirdly, using case studies to explore new ways of measuring value that can help public service leaders and commissioners arrive at better approximations of value for money.

The report is illustrated using case studies of services delivered by third sector organisations. It is sometimes argued that third sector organisations have distinctive qualities that make them better placed to provide public services.<sup>i</sup> This is not a very helpful generalisation. The argument in this report is that commissioning should not be concerned with sectors but with achieving the best outcomes for users of services and the public.

The case studies demonstrate that by using a mechanism such as Social Return on Investment (SROI) it is possible to quantify more fully the costs and benefits of providers and so make more informed decisions in the commissioning process.<sup>ii</sup> Sometimes the provider will be from the third sector – and there can be good reasons for this, such as their ability to reinvest surpluses in achieving further community benefit – but other times they will not. Value for money, when used within intelligent commissioning, can provide a way of identifying the provider that, irrespective of sector, will create the most value.



## 2.value for money



Central and local government are expected to achieve value for money when they commission public services. With pressure to make savings to the public purse, value for money is often interpreted as the relation between financial cost and outputs, or unit cost.<sup>iii</sup> Such an interpretation is not consistent with the Treasury definition.

The Treasury defines value for money in terms of quality and long-term costs:

Value for money is defined as the optimum combination of whole-of-life costs and quality (or fitness for purpose) of the good or service to meet the user's requirement. Value for money is not the choice of goods and services based on the lowest cost bid.<sup>iv</sup>

There is also a wider public interest requirement. The Treasury says that 'all benefits to the UK' should form part of value for money assessments:

In principle, any appraisal should take account of all benefits to the UK. This means that, as well as taking into account the direct effects of interventions, the wider effects on other areas of the economy should also be considered.<sup>v</sup>

The Treasury further makes clear that 'benefits' should not be restricted to those, which already have a market value:

Wider social and environmental costs and benefits for which there is no market price also need to be brought into any assessment. They will often be more difficult to assess but are often important and should not be ignored simply because they cannot easily be costed.<sup>vi</sup>

Put more simply, there are three elements to value for money as defined by Treasury:

1. quality and suitability of the service for the individual
2. long-term implications or whole-of-life costs
3. wider outcomes for society and the state.

Value for money is concerned not just with unit costs, but with what has been called the full **value**<sup>vii</sup> or **public benefit**<sup>viii</sup> that a provider brings to delivering a service. This recognises that every time the public sector spends money, it should do so in a way that achieves as many of its objectives as possible. That is, it is concerned with the value a provider creates across a range of outcomes over the longer term with the resources it is given.

## value for money and the savings agenda

There is sometimes a perception that value for money as defined by government can contradict the requirement to save money. This is not so. Providers who create value across different service areas, prevent needs arising or achieve wider outcomes are not necessarily more expensive in the first instance.

Third sector organisations are often well placed to be competitive on price and deliver wider benefits at the same time. The case studies in this report demonstrate that third sector organisations can reinvest any margin in delivering a higher quality service, achieving better outcomes and contributing to wider social, environmental or economic objectives.

Even where a provider is not the cheapest on a unit cost basis, it may still represent the most cost-effective option when whole-of-life costs and wider benefits are taken into consideration. Short-term cost savings sometimes come at the expense of more significant costs to other budget areas, or incur higher costs over the longer term because the quality and scope of a service have been compromised. The net result of pursuing an apparently 'cheaper' option is a false economy for the public purse.

Example: Shaftesbury Young People (case study 8) is a provider of high quality residential care for children. It is not the cheapest provider, but outcomes for care leavers in its homes are significantly better than for the general care population. Social Return on Investment Analysis (SROI) demonstrates that for every additional £1 invested higher-quality care a further £4.40-£6.10 is generated in social benefit.

Value for money is, therefore, consistent with the drive to get the most out of the limited resources that are available to deliver public services.

The third sector has long been struggling with how to provide evidence of the contribution it can make to commissioners drive for value for money as defined by HMT. One method that at least helps explore the wider costs and benefits is Social Return on Investment.

## box 1. social return on investment (SROI)

SROI translates both short- and long-term social and environmental outcomes into tangible monetary values, helping organisations and investors to see a fuller picture of the benefits that flow from their investment of time, money and other resources. Developed from cost-benefit analysis and social accounting, it provides a participatory and multi-stakeholder approach to measurement and reporting. As such, it is able to take account of all three elements in the Treasury's definition of value for money.

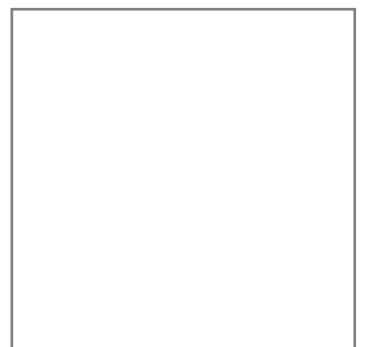
SROI measures the value of benefits across a triple bottom line of social, environmental and economic outcomes. It compares the sum of the benefits to the investment that was required to achieve those benefits. The result is a ratio of the net present value of benefits to the net present value of the investment:

$$\text{SROI} = \frac{[\text{Net present value of benefits}]}{[\text{Net present value of investment}]}$$

SROI is sometimes reduced just to this ratio. But the value of SROI lies in being able to see where and how value is generated. Case study 7, which profiles two community alternatives to prison, shows how SROI can be used to see what share of benefits flow to different stakeholders – for example, how much benefit goes to the state compared to how much goes to the women offenders using the service.

The Government has invested in standardising and disseminating SROI through the Office of the Third Sector. Other government departments are also already using or investigating SROI, including the Department of Health through its Social Enterprise Investment Fund.

For more information, see [nef's Measuring Value: a guide to Social Return on Investment \(SROI\)](#)<sup>ix</sup>



## achieving value for money

Maximising value for money depends on being able to identify the full range of costs and benefits across the life cycle of an intervention. Figure 1 sets out where costs can be incurred and value created.

The value for money chain can be broken down into three main parts. Effective services can maximise value for money for the public purse by delivering activities in a way that:

1. makes the best use of financial and non-financial **resources**, including the time and skills of the service users themselves
2. generates positive and lasting **service-level outcomes** that both create value and prevent future costs
3. contributes to wider benefits across **social, environmental and economic objectives**.

## resources

Value-for-money assessments often reduce resources to the financial investment needed to deliver a service. It is certainly true that managing financial resources effectively is a vital part of achieving value for money.

But resources available are more than just the financial inputs. There are a number of ways in which non-financial resources can be used to maximise value for money. People themselves, service users, their families and communities have time, knowledge, skills and networks that can play a vital role in designing and delivering effective services. This insight and approach is normally described as **co-production**: it recognises that service users have assets and that some of the greatest challenges facing public services require solutions that rely on people working with professionals – individually and in groups – to help themselves and each other.<sup>x</sup>

## achieving value for money

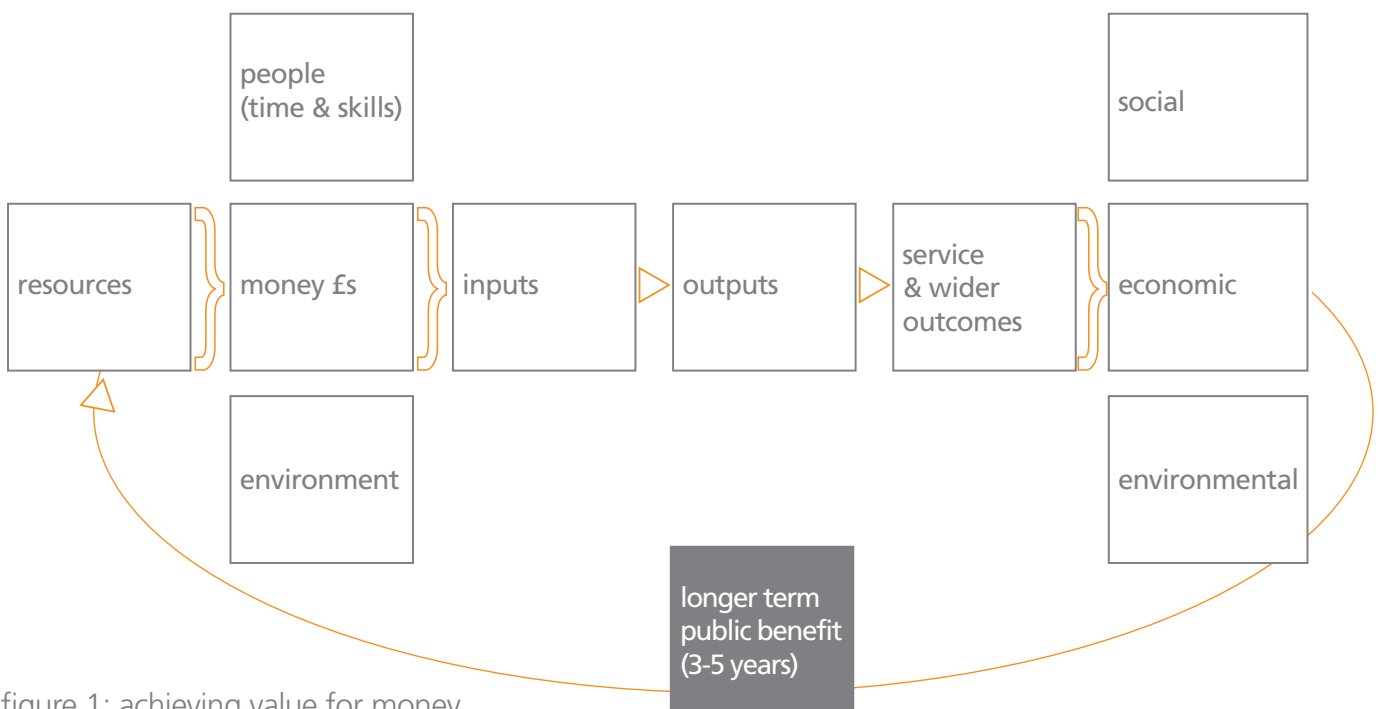


figure 1: achieving value for money

The co-production approach can lead to highly innovative services with very real value for money implications:

- involving users and communities in the **design of services** can make services more responsive to needs and deliver better outcomes<sup>xi</sup>
- involving users and communities in the **delivery of services** can be a vital part of achieving positive outcomes by promoting a sense of empowerment and autonomy.

Example: City Gateway (case study 3) works with young people that are NEET – not in employment or educational training – and involves young people who used to be NEET in service delivery. It has found that the young people on its programmes respond better to ‘people like themselves’. As a result, City Gateway achieves a high rate of positive outcomes – transitions into further education or employment – among a group that the mainstream education sector has failed to reach. A study by the London School of Economics has put the life-costs associated with a young person who is NEET at 16 at £97,000.<sup>xii</sup> This means that reconnecting NEET young people with education and employment has considerable financial implications for the public purse.

The third sector, particularly smaller voluntary and community sector groups are often best placed to tap into the knowledge and skills of service users and local communities.<sup>xiii</sup> They often have strong local roots and, in many cases, have service users on the Board. Mid-Devon Community Recycling (case study 11), for instance, is a waste management social enterprise that was formed by members of the community with a concern for their local area. It is still rooted in the local community now, some 20 years later.

## box 2. co-production

There is no one definition of co-production but recent research has identified the characteristics and values that projects and services engaged in co-production share.<sup>xiv,xv</sup>

- provide opportunities for personal growth and development to people who have previously been treated as collective burdens on an overstretched system
- invest in strategies that develop the emotional intelligence of people and the capacity of local communities
- use peer-support networks as a means of transferring knowledge and capabilities, rather than relying only on professionals
- reduce or blur the distinction between the producers and consumers of services by reconfiguring the way services are developed and delivered. Services seem to be most effective when people get to act in both roles, as providers as well as recipients
- allow public service agencies to become catalysts and facilitators rather than serving as the central providers
- devolve real responsibility, leadership and authority to users, encouraging self-organisation and mutual support rather than direction from above
- offer participants a range of incentives – mostly sourced from resources that have been freed up through the involvement of service users in delivery – to help embed the key elements of reciprocity and mutuality.

## service-level outcomes

Services that deliver long-term positive outcomes for service users have a significant impact on the public purse. Such services can create value – for example, by helping someone into a sustainable job. They can also save public money – for example, by preventing homelessness. Positive outcomes are the best indicator that a service has met the **quality** and **fitness** for purpose criteria stipulated by the HMT.

Example: Impact Arts (case study 6) runs the Fab Pad project, which uses interior design and art to help at-risk young people transform their houses into homes and, by doing so, think more positively about their future. An SROI analysis based on the outcomes of participants at one Fab Pad location found that, for every £1 invested in the programme, £8.38 of social value was created. The savings related to the avoidance of homelessness (£175,170) alone is more than twice the annual cost of the programme (£75,873).

In practice more attention is paid to service-level outputs. **Outputs** are the **direct** results of an activity. For example, the output of an employability training programme is the number of people that have been trained. This kind of measure gives no indication of how effective the intervention has been. It tells you little about the difference that the intervention has made to those who were trained and does not provide evidence on the longer-term financial consequences for the public purse.

**Outcomes**, on the other hand, are concerned with the difference that has been made as a result of the service. In the case of the employability training, it might be the number of trainees that have now entered stable employment. This gives a far better indication of the financial implications for government departments or local authorities. Two providers might train the same number of people – that

is, they have the same output – but one of the providers has developed an innovative new teaching method that has better results. The provider of the new course gets 10 per cent more participants into stable employment. So even though both providers have the same output, the provider using the new method delivers better outcomes and generates more value for the public purse in the form of additional tax receipts and reduced benefit payments.

The most significant value is often created by interventions that are preventative. The example of Shaftesbury Young People (case study 8), which delivers high quality residential care for children, is a good example. Partly because it helps to avoid costs associated with economic inactivity, crime and poor health, Shaftesbury delivers a social return of £3.80 for every additional £1 invested in its higher quality care.

### wider social, environmental and economic benefits

When public bodies think about value for money it is important that they take account, not just of the service-level outcomes, but outcomes across their wider social, environmental and economic objectives. Despite the practice of dividing public funds into departmental budgets, the public purse ultimately benefits most when a service delivers against wider objectives as well.

Wider benefits are not just nice to have. They carry financial implications for the commissioning body and, in many cases, also for other public bodies and central government. These benefits give rise to what are sometimes called **cross-department** savings that feed directly back in to public resources.

Commissioning sometimes does not seek out the wider social, environmental, and economic benefits that providers might bring to services, even though delivering such benefits need not

necessarily mean extra costs. It can simply be about delivering the service in a different way. In other cases, where a higher cost may be involved, the cross-departmental and longer term returns can significantly outweigh the higher investment required to achieve them.

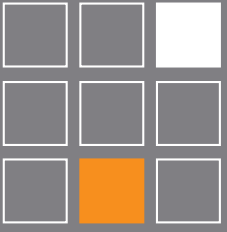
This implies that commissioning authorities should not only assess for delivery against wider objectives, but also encourage it. Appendices 3 and 4 provide examples of commissioning tools that encourage performance across social, environmental and economic objectives. For such tools to be accepted, however, the institutional context needs to encourage intelligent commissioning by recognising cross-departmental savings.

## conclusion

When it is applied as intended by the Treasury, value for money can provide a powerful and rigorous way of assessing the financial implications of allocating resources to different service providers. However, this may be undermined by the imperative to achieve efficiency savings if commissioners seek to reduce unit costs in the short-term, without considering how this impacts on other budget areas or on expenditure over the longer-term.

Section 3 summarises the twelve case studies identified in the report that create value and deliver value for money. Appendix 1 sets out the full details of each case study.

Section 4 considers how the institutional context can be shaped so that it encourages intelligent commissioning that achieves value for money.



# 3.case studies



This section summarises the twelve case studies used in the report and how they achieve value for money in the delivery of public services. The case studies cover ten different areas of public service delivery, demonstrating that the potential to create value for money across the three elements in the Treasury's definition is not limited to any one area of the public sector. The case studies also cover a diverse range of organisations in terms of size, geography and type.

The case studies were not selected because they are examples of effective commissioning. In many cases, value was created by these organisations because of a strong commitment to mission or local community, which saw them deliver beyond their contracted terms. With increasing pressure on public resources, capturing this value needs to become a systematic part of the commissioning process. For this reason, the final section looks at how public service leaders can create an institutional context that encourages intelligent commissioning and maximises value for money.

## organisation of the case studies

The case studies are grouped according to the element in the value for money chain they illustrate best.

a) **resources:** making effective use of financial and non-financial resources, including service users themselves

case study	organisation	sector	brief description	page
1	Sandwell Community Caring Trust (SCCT)	Social care	SCCT has achieved significant cost savings, nearly halving the cost of elderly care, while maintaining service quality and staff conditions across its social care services.	4
2	Holy Cross Community Trust (HCCT)	Social care	Uses a co-production approach to tap into the resources of service users and the wider community, thereby delivering more effective and sustainable mental health day-care services.	8
3	City Gateway	Employment	Combines a strong mission focus with involving former service users to deliver an effective employment intervention for young people that generates real long-term savings.	12

b) **service-level outcomes:** generating positive and lasting service-level outcomes that create value and prevent future costs

case study	organisation	sector	brief description	page
4	Asha Centre and Centre 218	Offender management	Community alternatives to prison that, when scaled up to all non-violent female offenders, would create more than £100 million in benefits.	16
5	Tomorrow's People	Health	Developed an innovative employment scheme based in GP practices that generates £10,274 in benefits (after costs) to the NHS and state for every job created.	20
6	Impact Arts	Housing and regeneration	Created the Fab Pad programme, which works with young people to reduce tenancy breakdown. The programme has been shown to generate £8.38 in social value for every £1 invested.	24

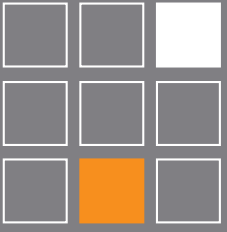
case study	organisation	sector	brief description	page
7	NOW Project	Learning and skills	Uses monthly and annual SROI reporting to deliver positive outcomes for its clients with learning difficulties. For 2007/2008, the SROI ratio was 1:3.8.	27
8	Shaftesbury Young People	Children's services	Provider of high-quality residential care that creates between £4.40 and £6.10 in social value for every additional £1 spent on its service.	30
9	Asian Women's Project	Health	Delivers health interventions to Asian women in Nottingham who are excluded from mainstream services.	34

c) **wider social, environmental and economic benefits:** helping to achieve a range of objectives for the commissioning authority and wider public, including the state

case study	organisation	sector	brief description	page
10	Hackney Community Transport	Transport	Community-focused transport social enterprise that is responsive to the needs of service users and delivers local economic impact.	38
11	Mid-Devon Community Recycling	Waste management	Provides a recycling service that meets service-level outcomes, is competitive on price and delivers an additional £0.73 in social, environmental, and economic value.	42
12	Unique CIC	Youth services	Youth provider that has diversified into a range of activities, which create social, environmental and economic benefits for the local community.	45

The grouping of case studies under these headings obscures the fact that many create value across all three elements of the value for money chain, and that maximising value for money means paying attention to all three parts.

Appendix 1 gives the full details of each of the case studies.



# 4. implications and recommendations



Public services in the UK face enormous challenges and increasingly constrained resources. The twelve case studies presented in this report demonstrate the potential of third sector organisations to assist public sector colleagues meet these challenges and create value by:

1. making the best use of resources, including engaging with service users and communities in the design and delivery of services
2. focusing on preventing needs arising and achieving better outcomes in ways that provide long-term savings for the public purse
3. working across the public sector to achieve wider social, economic and environmental impacts.

Yet in the majority of the case studies for this report, commissioning did not noticeably stimulate value creation across these three areas. If the public sector is to meet its resource challenges, it will be important for commissioners to consistently encompass the government's eight principles of good commissioning, along with an increased emphasis on value for money as defined by HMT.

The responsibility for changing commissioning practice does not just rest with commissioners. It rests with all involved in setting the policy and financial context for public services. At present, the policy and financial context combine to encourage short-term cost-savings that can make it more difficult for commissioners to achieve real value for money. This section sketches out how the institutional context can encourage intelligent commissioning to become mainstream.

## creating the institutional context to support value for money

Figure 4 sets out a virtuous circle of commissioning, measurement and incentives that can encourage the achievement of value for money in commissioning practice.



figure 4.  
creating value for money through  
better commissioning

As the case studies demonstrate, supporting value for money means taking the following steps to shift the focus of public sector commissioning:

1. making commissioning for  
outcomes the norm

Many public services are still commissioned on the basis of service-level outputs, which alone are an insufficient indicator of quality. Commissioning for outputs also misses an opportunity to encourage providers to contribute to the wider goals of local and national public sector agencies. It can stifle the development of innovative ways of achieving outcomes.

At present, commissioning for outcomes usually only happens when commissioners have adopted an outcomes-based commissioning framework, such as the model developed jointly by the London borough of Camden and nef (Appendix 3) or the Devon County Council Positive Sustainability Matrix (Appendix 4).

Training commissioners in how to focus on outcomes, including the training provided by the National Programme on Third Sector Commissioning, is a good start towards encouraging wider uptake of intelligent commissioning practices.<sup>xvi</sup> The difficulty that arises is that commissioners often still operate in a context that uses measurements and targets focused on outputs and savings in unit cost terms.

For intelligent commissioning practices to be widely implemented, the institutional context needs to encourage delivery against direct and wider outcomes, including prevention of needs arising.

2. introduce frameworks that are  
capable of measuring what matters

Commissioners will commission for the objectives they are held accountable for delivering. Measuring outputs may sometimes be necessary, but generating real savings will require delivery against **outcomes**, both at the service level and at the wider level of the agencies' social, environmental and economic objectives. Measurement frameworks capable of capturing direct and wider outcomes are required across the public sector.

In this report, the case studies using SROI were able to provide the best indication of how their service was delivering against outcomes and the impact their service was having on the public purse. SROI does this by making visible a wider range of costs and benefits, thus providing a better indication of the true cost to the public purse and to society of different service providers.

These costs and benefits can also be scaled up using economic modelling to show the financial implications of a given approach if applied to the entire population of potential service users. In case study 4, for example, SROI showed that the improved outcomes among non-violent female offenders using support-focused alternatives to prison, such as Asha Centre and Centre 218, would be worth £100 million in benefits over ten years if scaled up to the entire population of non-violent female offenders.

To ensure measurement is aligned with intelligent commissioning practices, SROI should be rolled out across the public sector, building on the Office of the Third Sector's investment in standardising and disseminating SROI. This will require an initial investment in training and development. The value for money savings generated by using a measurement framework that can assess costs and benefits across departments and over the longer term should offset the initial development and implementation costs. The report in its case studies has used SROI and advocates the roll out of SROI. The principle behind this recommendation is of measurement and finding the appropriate tool for that measurement.

### 3. incentivising intelligent commissioning

Public service leaders, policy-makers, heads of finance and strategy in local authorities, PCTs and government departments all have a vital role to play in embedding intelligent commissioning in their organisations. It is important that funding and regulatory mechanisms endorse this approach. Intelligent commissioning will become commonplace when commissioners are no longer expected to prioritise short-term savings over longer term benefits. SROI provides a way of measuring value for money, and suggests how to incentivise this approach.

It is beyond the scope of this report to consider what kind of funding and regulatory mechanisms could best incentivise intelligent commissioning. But it will certainly mean more extensive linking of budgets across departments. Local area agreements (LAAs) and multi-area agreements (MAAs) are steps in the right direction. National government departments also need to think about the value their services could create for other departments.

Government departments need to find ways of rewarding public service interventions where there is evidence of cross-departmental savings. This is the best way to encourage commissioners to make sure their spending achieves as many of the wider government objectives as possible.

Several of the case studies in this report show that just changing the way in which a service is delivered – for example, finding ways of reducing the vehicle miles of a recycling service – can deliver benefits without necessarily costing any more. Incentivising commissioners to deliver against wider outcomes will encourage them to seek out providers that are able to deliver this wider public benefit. This, in turn, will encourage providers to look for ways they can contribute to achieving social, environmental and economic objectives.

### 4. mainstreaming a co-production ethos across public services

To know which outcomes should be measured and incentivised, commissioners require robust information about the needs of service users and communities. Furthermore, service users and communities should be actively involved in service design and, where possible, service delivery. The involvement of service users and communities in this way, which is sometimes referred to as 'co-production', ensures that services are more responsive to needs and create better outcomes, as the case studies of Holy Cross and City Gateway show. Early involvement of users in the design of services can often lead to better value for money.

A culture shift is required in public services if co-production is to be mainstreamed. Service users and communities need to be seen as assets. They need to be seen as people who have skills that are vital to the delivery of services. This has implications for the way professionals are trained. Frontline staff will need to learn about the values and skills that are required to co-produce services, and how they can encourage users to put these skills into practice. It may be helpful to dedicate a proportion of a service's funding to service-user engagement in order to ensure that this key component of the commissioning process is fully utilised. Understanding what matters most to service users is crucial to designing and delivering effective services that deliver value for money.

# 5. conclusion

Public services are now in a position where every opportunity to maximise value for money has to be taken.

The case studies demonstrate that effective service delivery can create value for the public purse by:

- making the best use of resources, including service users themselves, to design and deliver interventions that meet service users' needs
- delivering a high quality service that leads to better outcomes or prevents further needs from arising
- achieving benefit across a range of social, environmental and economic objectives that are relevant to the commissioning authority or public sector more generally.

The value created by the case study organisations in this report needs to be routinely captured. Putting the Government's own definition of value for money at the heart of commissioning practices provides a means of comparing providers according to their net financial implications for the public purse, over the short and long term, and across a range of public sector objectives.

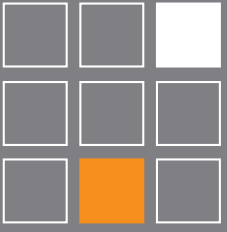
In order for commissioners to apply the HMT definition routinely within an intelligent commissioning framework, an appropriate institutional context is required, with funding and regulatory mechanisms that endorse this approach.

This report makes recommendations for four changes to the context in which commissioning occurs. The recommendations are designed to set up a virtuous cycle of intelligent commissioning which:

- puts services users and communities at the heart of service design and delivery
- achieves innovation in service delivery by commissioning for outcomes, rather than narrowly defined outputs
- measures what matters to people, communities, society and public bodies
- creates incentives that will make achieving value for money more routine than is currently the case.

These changes will not be easy to achieve. They require a shift in the culture of public services and commissioning, together with the changes to the institutional and policy framework. Whoever the providers are, and whatever sectors they represent, commissioning needs to stimulate this kind of innovation and focus on better outcomes for people and communities. Ultimately, this is what will create real value for money and public services that deliver for individuals, communities and the wider public.



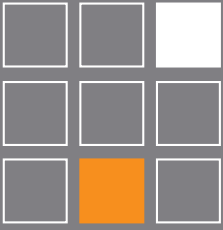


# end notes

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notes





written by: Eva Neitzert and Josh Ryan-Collins, nef

## acknowledgments

We would like to thank the twelve organisations that participated in the case studies for their time. Thanks are also due to Anna Coote, Jake Eliot, Eilis Lawlor, Lisa Sanfilippo, Liz Cox, Liz Sutton, Nicola Steuer, Sophie Earnshaw, and Stephen Spratt for helpful discussions and comments on the report.

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Text printed on 100  
per cent recycled paper  
printed using vegetable  
based inks

IDT L09-9

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