11. Outcome-based commissioning: four pathways to achieving public value

Tony Bovaird and Elke Loeffler

INTRODUCTION: WHOSE PUBLIC SERVICE IS THIS, ANYWAY?

This chapter explores the recent history of the commissioning approach to public services, mainly based on UK experience since the 1980s but with some reference to international experience. Building on Bovaird (2016), it highlights how approaches to commissioning have evolved, moving through the phases of competitive tendering, partnership working, strategic commissioning, prime contracting, and, more recently, towards some insourcing. In this chapter we focus mainly on top-down pathways to strategic commissioning, to complement Chapter 10 in this volume by Benjamin Cashore on bottom-up pathways.

By commissioning is meant not simply externalisation or outsourcing, although these have a high profile in the literature and in much public sector practice. However, here we include under the term ‘commissioning’ the consideration of all options for public sector interventions which might serve to improve publicly-desired outcomes, including transformation of internal service delivery and also the move to more intensive sharing of public service tasks with service users and communities, the ‘co-production’ option. Developing from this analysis, the chapter suggests that the role of outcome-based commissioning needs to be understood within a fuller model of public value (Loeffler and Bovaird 2019), which we outline. Finally, the chapter suggests some lessons which can be drawn from these recent experiences.

PHASES OF COMMISSIONING IN THE UK

Traditionally in the UK, the phrase ‘commissioning’ had a number of rather different meanings from current usage. One meaning was rather narrow and specialised – the bringing of certain infrastructure into use (e.g. hospitals, or weapons systems) – almost the opposite of current use of the term ‘commis-

sioning', since it focuses on implementation of strategic decisions and policies, rather than 'commissioning' as a strategy-making process.

However, there is also a long history of seeing 'commissioning' as 'outsourcing' – giving an instruction to a third party to get something done. Outsourcing has long been practiced in the UK, particularly for infrastructure such as road building and maintenance, hospitals, and so on. Importantly, however, infrastructure building and maintenance is not always outsourced in other countries such as the Netherlands, where it has often been dominated by public sector providers (Bovaird and Klijn 2015).

It is also important to clarify who commissioners are, since this job title does not exist in most other countries. Commissioners may be either public sector managers who hold a budget and have the responsibility to plan public services, manage and review contracts; or it can be local councillors who decide on the overall budget allocation and priority groups or services and who typically have the final say on key commissioning issues. In this chapter, we focus mainly on public sector managers with a commissioning role.

Since the early 1990s, we can identify six waves of out- and in-sourcing in the UK, with corresponding tendencies in many other OECD countries (Bovaird 2016).

Competitive tendering: In the 1980s/early 1990s there was a major move by both central and local government to outsource services to private sector providers. Indeed, the Thatcher government introduced 'Compulsory Competitive Tendering' (CCT) for local government in 1982, which was extended to a much wider range of services in 1988 and then to health services after 1991 and to most remaining local government services in 1992. The compulsory 'client/contractor split' in local government was paralleled in health by the 'purchaser/provider split'. One of Thatcher's ministers became famous for suggesting the 'Ridley' model of local government, an extreme form of the so-called 'enabling authority' (Brooke 1989), in which local councillors would meet only once a year to allocate contracts to external providers, who, it was believed, would then deliver services cheaply and efficiently.

Partnership working: From the mid-1990s onwards, partly because of rising dissatisfaction with the results of CCT, a move to 'partnership working' became strongly evident in many countries. In the UK a survey suggested that 50 per cent of UK local authorities already used partnerships by 2000 (Birch 2001), often associated with the Private Finance Initiative (PFI) introduced in 1992 (and subsequently spreading to many other countries), which sought to involve private sector finance in funding of public services.

Strategic commissioning: After 2004 in the UK, outsourcing was gradually seen as appropriate for (almost) all public services. Following on from the scandal of a major child protection service failure, the Children's Act (2004) led to the development of a strategic commissioning framework for children's

services. Other government departments quickly followed this ‘commissioning model’ for public services, particularly in personal services (such as health, social care, unemployment and criminal justice). The Cabinet Office (2006: 4) defined commissioning as ‘the cycle of assessing the needs of people in an area and then securing appropriate service’ (although it later substituted the word ‘outcomes’ for ‘services’). Strategic commissioning became the ‘main show in town’ for UK public service provision. Moreover, in the UK there was growing emphasis on joint commissioning by several public sector organisations, which over time has led to pressure for ‘integrated’ commissioning, especially of health and social care.

Prime contracting: In the years up to 2010, UK central government moved towards a ‘two tier’ approach to outsourcing, in which the strategic commissioner defined key outcomes for its priority groups of end-users (usually defined either as social groups or geographical communities) and then procured a ‘prime contractor’ to recruit a supply chain to deliver these outcomes (LGA-CBI 2009; Bovaird, Dickinson and Allen 2012). Here, the prime contractor worked as a ‘service integrator’ or ‘commissioning co-ordinator’, managing provision and deciding on which sub-contractors (whether from the private, third or public sector) are most suited to achieving the outcomes for the priority clients.

Insourcing: Around the world, as outsourcing contracts and partnerships have matured, many have been brought back in-house (Warner 2014), and campaigns have grown in strength to renationalise some service sectors, particularly rail and energy (YouGov 2014). In the USA, about 20 per cent of municipalities have insourced some previously outsourced services and, in the period up to 2012, about 10 per cent of all services have been brought back ‘in-house’, while another 10 per cent were outsourced (Warner 2014). A study of over 100 German councils also found a trend towards greater public sector provision (Lenk, Rottman and Albrecht 2011) and in France, many councils and regions are reported to be re-municipalising water services or public transport (Hall 2012). While this may seem surprising at a time of austerity and high pressure on public budgets, ‘churn’ is normal in the marketplace, as circumstances change. It may also, of course, reflect that previous procurements were sometimes made mechanistically or on ideological grounds, not because they offered the most appropriate services. NAO (2011) has emphasised that decommissioning (and then recommissioning appropriately) is a natural part of the commissioning process, since services become obsolete, as users and their needs change and as available technologies also change. Moreover, this must be done without deterring potential future providers: ‘Public managers must skilfully terminate some relationships without losing the credibility to develop and enhance others’ (Bertelli and Smith 2010: i23).

Commercialisation: With the reduction in and eventual removal of central government grants to local authorities in the UK since 2010, pressure grew for councils to consider new opportunities to help ensure the sustainability of the services delivered. Merely cutting costs is not, in the long-term, sufficient to fill the funding black hole. This has introduced extra pressure for local authorities to seek income generation opportunities, for example, through the sale or renting of public infrastructure or charging for public services. The political desire to increase short-term income generation may create tensions with the drive to improve outcomes through other mechanisms (e.g. user and community co-production) which may provide bigger savings (and net benefits) to local authorities in the medium- and long-term.

ARGUMENTS FOR AND AGAINST THE PURCHASER–PROVIDER SPLIT

The ‘purchaser–provider split’ has now been an integral part of UK public sector for over thirty years. Why has it been so powerful as an animating principle? We summarise here some of the benefits – and disbenefits – of the ‘split’, as outlined by Bovaird (2016). Benefits include that it:

- *Promotes systematic planning based on assessed need in the community*, rather than the needs of public sector organisations or service providers.
- *Promotes outcome-orientation*, rather than the continuation of traditional activities for their own sake (Bovaird and Davies 2011).
- *Increases awareness of service provision and commissioning costs*, rather than hiding these costs within labyrinthine budget documents (Kirkpatrick et al. 1999).
- *Clarifies provider roles*, separating out the responsibilities of providers from those of commissioners in a way which can enhance accountability for how well these separate roles are played.
- *Increases ‘contestability’* (i.e. the likelihood that other potential providers might win the contract), which in turn reduces inefficiency (through cost or quality pressures) (Williamson 1975).
- *Increases scope for user choice and voice*, rather than determination of service range and design by public service organisations.
- *Allows providers to be more innovative*, rather than constricted by over-detailed and out-of-date service specifications (LGA-CBI 2009; Bovaird et al. 2014).
- *Symbolises change in organisational culture*, making it clear, in particular that provider-domination is over.

However, these potential advantages are counterbalanced by some important arguments against the purchaser–provider split, namely that it:

- *Promotes contract-fixation – and therefore process orientation and focus on narrow performance indicators* which distract from the real purpose of services (Siltala 2013), undermining the intended outcome-orientation and often worsening relations between commissioners and providers.
- *Exaggerates problems of coordination and increases transaction costs* (Walsh et al. 1997).
- *Fractures responsibility for clients*, since commissioners see themselves as acting on clients' behalf, while providers have the closest contact and most relevant information about clients (O'Flynn and Alford 2008).
- *Reduces role of providers in service development*, because of concerns that engaged providers might gain competitive advantage, rather than fostering 'a much more open and iterative engagement' (Gash et al. 2013).
- *Can be hindered by underdeveloped external markets*, although over time this has become less relevant in most public services.
- *Divorces strategic decisions from operational knowledge of services*, with high information asymmetry, so commissioners gradually lose the ability to judge operational quality and the reliability of offers made in contract tenders.
- *May hurt collaboration*, which in many cases might be more effective than competition, as it avoids costs of contract tendering, monitoring and enforcement (Erridge and Greve 2015).
- *Encourages greedy and short-termist profit orientation by providers*, with cost-dumping and games playing by providers (e.g. 'creaming' of easy-to-serve clients and 'parking' of hard-to-serve clients; or under-pricing those elements of a bid which will subsequently be benchmarked and over-pricing those which will not), especially by those providers who want one-off quick gains, rather than a long-term relationship (Gash et al. 2013).
- *Reduces funds available for service investment*, by creaming off a profit stream – a danger which has been particularly identified with the PFI model (Hellowell and Pollock 2009).
- *Increases job insecurity for local authority staff*, which often reduces motivation, as staff with responsibilities for in-house service provision may be made redundant or seconded to third sector service providers with less favourable salary and pension arrangements.
- *Leads to potential loss of local knowledge*, when non-local contractors take over who may be able to achieve economies of scale but not economies of scope based on joining up local assets and capabilities.
- *May lead to information asymmetry* with consequent disadvantages for the commissioner, in particular, in fast-moving ICT technologies and software

where ‘the buyer may have to compare between competing, complex system options’ (Moe and Päiväranta 2013: 308).

- *May be purely cosmetic or symbolic*, in that all that happens is a ‘relabeling of functions’ within a public agency (Kirkpatrick et al. 1999: 723), rather than any real change (therefore imposing unfair costs on *bona fide* contractors who are pointlessly encouraged to bid).

Both of these sets of arguments are conceptually well-founded and backed up by strong empirical evidence. It seems, therefore, that there can be no ‘in principle’ preference for having or not having a split – in practice, the decision depends on circumstances. This may disappoint governments which want to make the split mandatory (e.g. UK governments 1983–1997), or those local authorities which are against the split on ideological grounds. However, it reinforces the age-old lesson that the search for certainty and tidiness in public policy often leads to inappropriate decisions.

GROWTH OF DIFFERENT SERVICE DELIVERY MODELS

The dynamics of public service provision are changing. With the great expansion of provider types in many public services, commissioners can now more easily find innovative and appropriate provision arrangements.

The traditional in-house delivery model of local public services is still very powerful – in the UK in 2008 roughly two-thirds of local public services were still provided in-house (Julius 2008) and this appears to have only slowly changed since then. For local councillors and service managers, key advantages of the in-house model include the control which it appears to offer, its flexibility when policies change, the absence of a profit charge by the external provider and the potential to embed the council’s values more explicitly into the service. All externalisation approaches must be judged against any losses in relation to these benefits.

However, the range of types of providers is now much greater than ever before, including:

- Private and third sector suppliers (including social enterprises, mutuals, co-ops, ‘spin-offs’, community trusts, etc.) working not just on specification-based contracts but increasingly also on the basis of relational contracts (Bovaird 2006);
- Arms-length management organisations (particularly housing and leisure trusts);
- Externally-led delivery ‘partnerships’, such as joint ventures and other PPPs;

- Joint public sector provider partnerships, consortia and shared services; and
- User and community co-production of public services, defined here as: ‘public service professionals and citizens making better use of each other’s assets, resources and contributions to achieve better outcomes or improved efficiency’ (Bovaird and Loeffler 2015).

This is an impressive list of new opportunities. Indeed, the expansion of commissioning in the UK has perhaps been more strongly influenced by innovations in service provision arrangements than by more imaginative practices by the commissioners themselves. This may be partly due to austerity which means in many cases that, when a new public service needs to be commissioned, it is done under great resource and time pressure, leaving little space for innovation by commissioners.

Some of these provision approaches still allow considerable direct influence by the local authority concerned. However, perhaps more importantly in the longer-term, as one works down this list, they involve increasing levels of collaboration, and therefore of trust, between the providers, something that was much less evident in the earlier phases of outsourcing. Nevertheless, the failure of many outsourced public services in the UK suggests that there is a continued need for vigilant strategic scrutiny of all such mechanisms – no arrangement, however smart and successful it may be for a while, is likely to be effective forever. Recognising the need for insourcing of unsuccessfully outsourced services has often been as inappropriately slow as was the original learning about these new models of provision.

COMMISSIONING FOUR PATHWAYS TO OUTCOMES

We have already highlighted the pressures in the UK system towards more collaboration between public service commissioners and also between providers. This provides us with four potential strategic directions for commissioning, as shown in Table 11.1:

- One-to-one commissioner–provider relationships;
- Single commissioner outsourcing to a partnership of providers;
- Joint commissioning of a single provider;
- Joint commissioning of a partnership of providers.

One-to-One Commissioner–Provider Relationships

The evolution of outsourcing in the UK can partly be traced through the elements in Table 11.1. In-house provision, the norm until the 1980s, fits squarely

Table 11.1 Four strategic directions in public services outsourcing

Organisation of Commissioning Side		Organisation of Provider Side	
		Individual providers	Provider partnerships and collaborations
Organisation of Commissioning Side	<i>Individual commissioners</i>	A. One-to-one commissioner–provider relationship In-house commissioner/provider Bilateral joint venture or PPP Relational contracts Alliance contracts User co-delivery	C. Single commissioner outsourcing to a partnership of providers Multilateral joint venture or PPP Prime contractor Micro-commissioning (personal budgets) Community co-delivery of one specific public service
	<i>Commissioner partnerships and collaborations</i>	B. Joint commissioning of a single provider Single specialist provider working with joint commissioners, such as: - Public service commissioning partnerships - Joint and integrated public commissioners - ‘Combined authority’ ‘Integrated business’ provider working with joint commissioners User- and community co-commissioning (with public sector organisations) of services or outcomes from a single provider	D. Joint commissioning of a partnership of providers Multilateral joint venture or PPP Multi-agency commissioning of a prime contractor Integrated micro-commissioning (personal budgets) Community co-delivery of joined up services ‘Full integration’ – integrated commissioners working with integrated provider organisations ‘Comprehensive’ co-production (both user/community co-commissioning and user/community co-delivery)

in Cell A, with one-to-one commissioner–provider relationships, all within the same organisation (and often without any formal split between the two roles). However, as CCT became mandatory in many services, and the negative side-effects of competition became clearer, there was a move away from contracting, based on ‘complete contract specifications’ which were closely monitored and enforced, towards more collaborative working between commissioners and external providers. This often involved bilateral joint ventures and PPPs but also relational contracts.

Van Slyke (2006: 184) describes how a relational contracting model can be built on mutual exchange and reciprocity, with long-term negotiated relationships that involve trust, discretion, joint problem solving, and infor-

mation exchange, so that goal alignment is promoted and the difficulties of performance are transcended – the key is joint approaches to performance improvement, not one-sided imposition of performance measurement. In this way, relational contracting avoids the traditional arms-length principal–agent prescriptions of incentives, sanctions, and monitoring and therefore provokes fewer instances of opportunism and moral hazard. The debate between outsourcing through specification-based contracts and through relational contracting rumbles on even today – the promise of relational contracting (as shown for example in the case studies in Bovaird (2006) and the study by van Slyke (2006) appears to be at least partially offset by the difficulties in making such relationships work, so that ‘sometimes it is best to focus on contracting rules, other times relationships, and yet other times it is best to find a new contracting partner’ (Brown et al. 2015: 303).

Some genuflection to the need for a more collaborative approach, while still falling short of relational contracting, has evolved in so-called ‘alliance contracts’ (Addicott 2014: 3), where a set of separate providers enter into a single agreement with a public body, with the commissioner(s) and all providers within the alliance sharing risks and responsibility for delivering services.

The simultaneous move to partnership working, such as PPPs or even joint ventures, between commissioners and providers can be seen as an attempt to use structures to gain the advantages of relational contracts, rather than simply relying on relationships. After early suspicions that partnerships potentially undermined public sector values and reduced competition, commissioner–provider partnerships have become ‘normal’ and many commissioners and providers have now developed the skills to make them work effectively. Nevertheless, arguments still rage as to whether they tend, on balance, to bring greater value for money or higher risks of service failure.

Finally in Cell A we can identify single public service organisations commissioning user co-delivery as a form of co-production (Bovaird and Loeffler 2012). Here, the commissioning authority works with individual service users who take responsibility for some aspects of their own outcome improvements e.g. through behaviour change or through jointly undertaking some service delivery.

Joint Commissioning of a Single Provider

As public service agencies developed more confidence in procurement and contracting procedures and began to form longer-term relationships with external providers, it became obvious that single agency commissioning had serious drawbacks. In particular, it appeared to involve high transactions costs (although, even today, the transactions costs from splitting commissioning and providing are not clear). One way to reduce these costs is joint commissioning

Table 11.2 Potential pros and cons of specific examples of one-to-one commissioner–provider relationships

Specific examples of one-to-one commissioner–provider relationships	Pros	Cons
In-house commissioner/provider	[Base line comparator]	[Base line comparator]
Relational contract	Close alignment of values and outcomes sought, based on trust Limits games playing within principal–agent relationship	Difficult to exact sanctions when trust relationship breaks down
Alliance contract	Economies of scale and scope Economies of learning over time	Commissioners have relatively little influence over provider behaviour
Bilateral joint venture or PPP	Economies of scale and scope Economies of learning over time Synergy through resource sharing, risk sharing Share of surplus or profits	Somewhat less influence over provider behaviour May be less inclined than prime contractor to appoint best providers for specialist work Problems of agreeing combined strategy Lack of partnership culture, incentives, skills, structures, governance Accountability to all bodies in partnership
User co-delivery	More direct influence over user behaviour Helps service users understand capabilities and limitations of services Mobilisation of greater overall resources for service Cost reduction opportunities	Greater risks of variation in service quality (and service failure) More variation of service inputs across locations Costs of user training Higher co-ordination costs

Note: In-house commissioning and provision is the baseline position for comparison.

(Cell B). This has long been practiced in France, where local authority clusters have formed PPPs with major national providers of public services to reap economies of scale and scope (Bovaird and Klijn 2015). By the 1980s, PPPs were common across EU countries and in many sectors and, increasingly, in EU-financed programmes. (Of course, many were not ‘partnerships’ in the full sense, as many operated essentially through specification-based contracts.)

However, partnership working in the UK public sector of the 1990s took some time to spread. Some local authorities came together to share corporate services (Tomkinson 2007), although this trend only really took off after 2010. Some joint health and social care commissioning was developed. The major impetus to this approach in the UK came originally with Children's Trusts after 2004 but since 2013 Clinical Commissioning Groups were set up across the UK and became important examples of joint commissioning.

A common rationale for joint commissioning has been that it enables economies of scale by commissioning larger volumes of activity, and enables economies of scope from specialist providers of a wider range of activities. Yet this rationale is often simply speculative – Bovaird (2014) shows that the evidence on economies of scale, in particular is very thin; although evidence of economies of scope is rather more convincing, this has usually not been the main focus of joint commissioning.

Moreover, recent research in the UK in health and social care has thrown doubt on whether joint commissioning has actually brought net benefits in practice. Dickinson et al. (2013) found that key players in 'best practice' sites for joint commissioning struggled to cite examples of any specific impacts or to give evidence of any improvements. While not denying that joint commissioning could indeed improve services or outcomes, they cautioned that its value may be more in providing an agreed frame of reference for organisational, structural and cultural changes. Consequently, hopes placed upon UK joint commissioning and 'integrated services' as transformational practices, however rational in theory, may not materialise in practice.

Finally in Cell B, we can identify one or more public service organisations commissioning projects or services together with service users and communities as a form of co-production (Bovaird and Loeffler 2012). Here, public agencies give important roles in the commissioning process to individual service users or communities, for example, through including them in interview panels to choose providers or, in the case of in-house provision, giving them a role in in job interviews for new staff.

Single Commissioner Outsourcing to a Partnership of Providers

Relationships between UK public sector organisations and external providers began to become more complex by the 1990s. Collaboration was being tried between commissioners and providers and also between providers (now openly and not just surreptitiously in the traditional cartel mode). This behaviour is captured in Cell C in Table 11.1. Although joint ventures and PPPs were also used here, a new structure emerged after 2000, the 'prime contractor' (sometimes called the 'service integrator') who is commissioned to manage the overall supply chain, often with special emphasis on contracting local suppliers with specialist expertise.

Table 11.3 *Potential pros and cons of specific examples of joint commissioning of a single provider*

Specific examples of joint commissioning of a single provider	Pros	Cons
Single specialist provider working with joint commissioners	Economies of scale and learning for specialist provision Synergy through resource sharing, risk sharing	No economies of scope Costs of co-ordination across specialist providers Lack of partnership culture, incentives, skills, structures, governance
'Integrated business' provider working with joint commissioners	Economies of scale, scope and learning for all integrated activities Joined-up offer to meet holistic needs of clients (although less than with micro-commissioning or co-commissioning) Synergy through resource sharing, risk sharing	Provider may be less inclined than prime contractor to appoint best providers for integrated activities Problems agreeing joint commissioning strategy Lack of partnership culture, incentives, skills, structures, governance Accountability to all joint commissioning bodies
User- and community co-commissioning projects, public services and outcomes	Joined-up approach to seeking more asset-oriented approach which mobilises contributions from users/communities	Raises issues of representation and democratic accountability

Note: In-house commissioning and provision is the baseline position for comparison.

In this two-tier approach to commissioning local councillors define the outcomes they seek for an end-user, group of end-users, or community and then procure a prime contractor to recruit and manage a supply chain of the most suitable sub-contractors (LGA-CBI 2009), from any relevant sector. Crucially, the public sector commissioner transfers to the prime contractor many of its commissioning and procurement responsibilities, particularly key decisions about what inputs and activities are needed to achieve outcomes. While the public sector organisation can set specific policy parameters and, of course, remains ultimately accountable for service quality and cost, detailed decisions on what is done and how are outside its direct control.

This model has long been used in public sector construction but the most advanced versions of this approach in the UK were in the DWP Pathways to Work and Flexible New Deal programmes after 2007 using private sector prime contractors, which were then adapted by the coalition government in 2010 for

its Work Programme (Bovaird, Dickinson and Allen 2012; DWP 2014). This model enshrined an outcomes-oriented approach ('black box contracting' with minimum service prescription) not only in the commissioning process but also in procurement and in contracts, allowing significant provider flexibility. This model has recently also been adopted by some CCGs for health commissioning (Addicott 2014). Although evidence suggested it worked well for the Pathways to Work and Flexible New Deal programmes (House of Commons Work and Pensions Committee 2009), its Work Programme incarnation has been heavily criticised – partly because of 'creaming and parking' (a potential snag in all principal-agent models), partly because prime contractors appeared reluctant to sub-contract local specialist providers and partly because some prime contractors performed rather poorly against the programme targets.

A recent variant of the prime contractor model is micro-commissioning, where service users are given a personal budget and allowed to do the further commissioning of relevant services or activities for themselves – this has become the dominant model in much social care (and more recently in some aspects of health care) in the UK (Needham and Glasby 2014) and in the Netherlands (Alakeson and Rumbold 2013), and is becoming more common in other European countries (Da Roit and Le Bihan 2010).

Finally in Cell C we can identify single public service organisations commissioning community co-delivery as a form of collective co-production (Bovaird et al. 2015). Here, the commissioning authority works with groups in the community who take responsibility for co-delivering services and/or making a contribution to improving outcomes.

Joint Commissioning of a Partnership of Providers

Cell D is the most heterogeneous, as it potentially contains a wide range of variations of those arrangements found in Cells B and C, with either more commissioners or more providers. In general, this adds complexity (and therefore risk) to the approach but does not otherwise change its nature.

The only new approaches in Cell D are 'full integration' and 'comprehensive' co-production. In 'full integration', both commissioners and providers are integrated in order to ensure that the whole service offer is 'joined up' both in its conception and in its delivery. This is, of course, an objective which could also be achieved by the in-house model (Cell A), although this would exclude external expertise in commissioning and in delivery. This full integration model is theoretically the aim of the current 'integrated health and social care system' in the UK, although more attention appears to be paid to integration of providers than to integration of commissioners (Addicott 2014).

'Comprehensive' co-production (both user/community co-commissioning and user/community co-delivery) is still relatively rare, although some ser-

Table 11.4 *Potential pros and cons of specific examples of single commissioner outsourcing to a partnership of providers*

Specific examples of single commissioner outsourcing to a partnership of providers	Pros	Cons
Multilateral joint venture or PPP	Potentially large economies of scale, scope and learning Potentially large share of surplus or profits Synergy through resource sharing, risk sharing	Somewhat less commissioner influence over provider behaviour May be less inclined than prime contractor to appoint best providers for specialist work Problems of agreeing combined strategy Lack of partnership culture, incentives, skills, structures, governance Accountability to all bodies in partnership
Prime contractor	Economies of scope by widening supply chain Expertise in supply chain coordination and performance management	Commissioners have very little influence over provider behaviour Can undermine joined-up offer to meet holistic client needs Tendering process can promote over-competitive behaviour and undermine collaborative working May exclude small specialist existing providers Leakage of profit from funding stream
Micro-commissioning (personal budgets)	Potentially best able to ensure joined-up offer to meet holistic client needs	No economies of scale High transaction costs
Community co-delivery	More direct influence over user behaviour (though less than with user co-delivery) Helps service users to understand capabilities and limitations of services Mobilisation of greater overall resources for service Cost reduction opportunities	Greater risks of variation in service quality (and service failure) More variation of service inputs across locations Costs of community training Higher co-ordination costs

Note: In-house commissioning and provision is the baseline position for comparison.

vices in the UK have approached it – for example, services for young people in Surrey County Council (Tisdall 2014). Given the current interest in and tentative moves towards co-production, this model may become more common in the future.

COMMISSIONING AS A KEY PATHWAY TO PUBLIC VALUE CREATION

These different models of collaborative commissioning can be seen as key pathways to the creation of public value. In Mark Moore's original concept of 'public value' he argues that managers of public sector organisations can create value, in the sense of satisfying the desires of citizens and clients (Moore 1997: 53), both through public sector production and through establishing and operating properly ordered and productive institutions, which are publicly accountable. This is highlighted in the above analysis through the collaborative mechanisms in which the public sector involves itself in both commissioning and production of public services.

Moore (2013: 102) later acknowledged the limitations of his original concept of public value: '... as these managers worked with the strategic triangle, they discovered repeatedly that the key to making the framework work both analytically and practically was to develop a solid method for recognising value creation when it occurred – something like a public value account'. This concept of the 'public value account' is intriguing and represents a recognition by Moore of the very limited operationalisation which the Moore (1995) framework offered to actors in public policy. Moreover, the strategic triangle in Moore (2013) is subtly different from that in Moore (1995). While 'operating capacity' remains as one point of the triangle, 'authorising environment' has become 'legitimacy and support' and 'public value outcomes' has become 'public value'. These are not intended to be trivial changes in nomenclature only.

However, these changes incorporated by Moore in 2013 do not fully tackle the weaknesses in his public value model. Although it is an explicitly multi-stakeholder model, it does not show how the resources from different stakeholders (including communities and individual residents and households but also organisations from the public, private and third sectors) shape individual (or household) outcomes and community outcomes. It is particularly weak in relation to how the interventions of public, private and third sector organisations are complemented by activities of individual and community co-production. Clearly, co-production (and particularly community co-production) requires a set of agreements as to how citizens will work with each other and with the public service provider to improve public outcomes. Therefore, public governance principles will need to be defined and operation-

Table 11.5 *Potential pros and cons of specific examples of joint commissioning of a partnership of providers*

Specific examples of joint commissioning of a partnership of providers	Pros	Cons
Multilateral joint venture or PPP	Economies of scale, scope and learning, where providers work for several commissioners Share of surplus or profits	Problems of agreeing combined strategy Lack of partnership culture, incentives, skills, structures, governance Accountability to all bodies in partnership May be less inclined than prime contractor to appoint best providers for specialist work
Prime contractor	Economies of scope by widening supply chain Expertise in supply chain coordination and performance management	Commissioners have very little influence over provider behaviour Can undermine joined-up offer to meet holistic client needs Tendering process can promote over-competitive behaviour and undermine collaboration May exclude small specialist existing providers Leakage of profit from funding stream
Group micro-commissioning (personal budgets)	Can ensure joined-up offer to meet holistic client needs (although less than with individual micro-commissioning)	Limited economies of scale
Community co-delivery	More direct influence over community behaviour Helps communities to understand capabilities and limitations of services Mobilisation of greater overall resources for service Cost reduction opportunities	Greater risks of variation in service quality (and service failure) More variation of service inputs across locations Costs of user training Higher co-ordination costs
User and community co-commissioning	Can ensure more joined-up offer to meet holistic client needs (although less than with micro-commissioning)	Issues of representation and democratic accountability

Specific examples of joint commissioning of a partnership of providers	Pros	Cons
'Full integration' – integrated commissioners working with integrated provider organisations	Economies of scale, scope and learning, where providers work for several commissioners	Problems agreeing joint commissioning strategy Lack of partnership culture, incentives, skills, structures, governance Integrated commissioner/provider may be less inclined than prime contractor to appoint best providers for integrated activities Accountability to all joint commissioning bodies
'Comprehensive' co-production (both user/community co-commissioning and user/community co-delivery)	Mobilising full resources of community and service users Ensures fully joined-up offer to meet holistic needs of clients and their communities	Costs of mobilising citizen involvement May not be fully representative May involve risks to service users

Note: In-house commissioning and provision is the baseline position for comparison.

alised to provide the 'rules of the game' and the agreed processes by which citizens and organisations will work together. These go much wider than simply the concepts of 'legitimacy and support' in Moore's revised model. Moreover, Moore's model does not explore in sufficient depth the critically important difference between outcomes experienced by individuals and those experienced collectively.

In Figure 11.1, we show how different drivers are likely to be important in relation to community co-production and service user co-production. (Of course, Figure 11.1 is a simplification of the actual relationships to be found in any specific policy system. For example, the relationship between behaviour change and co-production is quite complex given that a lot of co-production involves changing behaviour but not all behaviour change is co-produced.)

A key lesson from the Governance International Public Value Model in Figure 11.1 is that not all outcome improvements come from the provision of public services – in some cases the outcome improvement is brought about by behaviour change or public sector support for self-help and self-organising – these include the bottom-up pathways considered by Benjamin Cashore in this volume. Moreover, the long-term sustainability of the policy system is likely to depend on economic value being created for private and third sector organisations. Figure 11.1 brings together these different strands of criticism of Moore's revised public value model to present a more detailed model of how individual outcomes, community outcomes and business outcomes can

be achieved through public sector interventions, acting through all stakeholder sectors. The four pathways to improved outcomes which we outlined in Table 11.1 operate through the ‘commissioned services’ box in Figure 11.1. They can therefore be seen to be subject to political priorities, public governance principles and the role played by citizens, as well as the constraints imposed by current technological production conditions in public, private and third sectors.

Source: Adapted from Loeffler and Bovaird (2019).

Figure 11.1 The governance international public value model for a multi-stakeholder context

SOME LESSONS FROM THE UK EXPERIENCE OF STRATEGIC COMMISSIONING

The conclusion from comparing the sets of arguments on the pros and cons of a commissioner/provider split (Tables 11.2–11.5), both of which are conceptually well-founded and can be backed up by strong empirical evidence, is that there can be no ‘in principle’ preference for having or not having a split. In practice – the decision depends on circumstances.

Some of the new (or at least newly important) vehicles for public service provision still allow considerable direct influence by the public sector organisation concerned, although the level of operational intervention often declines over time. However, perhaps more importantly in the longer-term, many of these new models involve increased levels of collaboration, and therefore of trust, between the providers, something that was much less evident in the earlier phases of outsourcing. However, the failure of many outsourced public services in the UK suggests that there is a continued need for vigilant strategic scrutiny of all such mechanisms – no arrangement, however smart and successful it may be for a while, is likely to last forever.

Although these new models of provision have not always been successful in practice, the expansion of strategic commissioning in the UK may have been more strongly influenced by the growth in the variety of service provision arrangements, rather than by more imaginative practices on the part of the commissioners themselves. This is, however, difficult to disentangle – both commissioners and providers are apt to criticise each other for lack of innovative willingness and capacity.

This presents a dilemma. Outcome-based commissioning needs experimentation and learning and, inevitably, new models of outsourcing and insourcing will continue to emerge. However, experimentation is often seen as perilous, especially by politicians, and even previously novel and imaginative partnerships can drift into ‘coalitions which resist innovation and which offer protection for under-performing organizations’ (Kirkpatrick. 1999: 11). While long-lived structures have advantages, this must not be at the expense of innovation.

Commissioning must be separated from delivery for SOME purposes, which means during the formal process of procurement, but generally artificial barriers should be avoided, so commissioning and provision should be closely integrated during policy making and during implementation. In practice there is normally a lack of satisfactory integrating mechanisms for commissioners and providers, such as joint service design and assessment, research and intelligence, or a joined-up approach to user and community co-production.

Clearly successful outsourcing needs great collaborative skills – and they are generally missing, both in commissioners and providers. Only a minority of public service organisations are able to engage in successful outsourcing. However, those organisations which do may well have a major role in future public services, supporting or even replacing those not so well placed.

Sustainability does not mean that commissioners should ensure provision arrangements last indefinitely – three to five years good achievement should be reckoned as creditable. Where there is a strong desire to have arrangements which last longer (more applicable to buildings and equipment, rather than to staffing), it is key that adaptability and resilience are built into the contract,

since it is wholly impossible to foresee all the contingencies which might make current service specifications inappropriate. For such longer-term arrangements, relational contracts are especially important and all other contract types are highly dangerous.

In public services, democratic decision-making about desirable outcomes is generally more important than 'efficiency', so wide debate about the priorities to be embedded within outcome-based commissioning is essential, by wide stakeholder involvement in the assessment of whether these outcomes are being achieved. Consequently, size of provider is a highly dangerous criterion to use in commissioning and procurement, as it makes appropriate stakeholder engagement more unwieldy. Public services should stay locally appropriate, locally determined, and democratically accountable, so that 'super-sized' providers should be regarded with scepticism.

Finally, high outcomes are unlikely to be achieved by considering only the achievements and the activities of public service organisations. Successful commissioning needs to mobilise all local resources of citizens and communities, not just public sector resources, in the co-commissioning, co-design, co-delivery and co-assessment of public services. This remains perhaps the most difficult challenge of all in achieving greater public value through the different pathways of commissioning discussed here.