NGO Council Future Focus: Commissioning Principles Thinkpiece

This thinkpiece was researched and written for the NGO Council by Richard Clarke to complement his discussion paper on service commissioning models, which is available online at: http://ngo.health.govt.nz/what-we-do/priorities-and-issues/planning-and-funding

Whichever service commissioning model is chosen, some key commissioning principles can support the success factors that NGOs should exhibit to deliver better outcomes for their client groups.

Any commissioning principles would sit within the context of broader relationship principles stated in the *Kia Tutahi Relationship Accord* and the *Framework for Relations between the Ministry of Health and Health/Disability Non-Government Organisations* (see Appendix).

Where appropriate, NGOs seek to co-design services in a process that builds and values partnerships with service providers and service users and recognises that we share responsibility and accountability.

The appendix to this paper provides examples of commissioning principles used in the UK, Australia and New Zealand. While there is considerable diversity, some themes appear in many of these examples:

- WHOLE SYSTEM: Adopt a whole of system approach to improving health outcomes.
- TRANSPARENCY: The parties work constructively together and communicate openly in a transparent procurement process
- EQUITY & FAIRNESS: Contracting processes treat internal and external providers in a fair and equitable manner.
- COLLABORATION: Commissioning mechanisms encourage collaboration instead of competition, so commercial tenders are not the default approach.
- INCLUSION: The voices of people who will/do access the services are heard in the design, conduct and review of all services
- INDIVIDUAL & CLIENT FOCUSED: Concepts developed within Whanau Ora – centrality and power of the whanau, use of navigators, etc – are used more broadly where appropriate.
- COMMUNITY-DRIVEN: Service commissioning promotes community, whanau and individual autonomy and wellbeing.
- EFFICIENCY, EFFECTIVENESS & PRODUCTIVITY: Need and evidence of what works inform commissioning decisions and infrastructure requirements are considered in all contracts and costings despite size.

Appendix: Exploring various options for commissioning principles

Interviews with three NGO Council members[1], which are summarised below, helped inform this thinkpiece on commissioning principles.

To ensure there were no significant omissions, we compared the principles suggested in the interviews with commissioning principles that have been used in New Zealand, Australia, and the UK. The sources for the New Zealand principles (see table 3) were the Auditor-General, the Code of Funding Practice, the MoH Mental Health Commissioning Framework, Hui E!, the Government Procurement principles, and the Treasury, as well as broader relationship principles identified in the *Kia Tūtahi Standing Together Relationship Accord between the Communities of Aotearoa New Zealand and the Government of New Zealand* and the Government Statement of Principles listed in the *Framework for Relations between the Ministry of Health and Health/Disability Non-Government Organisations* (see table 4)

This comparison suggested additional principles, which are listed later in this section.

Principles suggested in the interviews

The section summarises the interviewees' comments about eight topics, and lists the principles suggested by these comments.

Topic 1: Integrated commissioning

- People have to cope with many agencies. They don't compartmentalise their views about the services they need in the same way that government agencies tend to compartmentalise the provision of these services.
- The challenge is to commission services for people facing demanding issues, who have difficulty making their own choices. Commissioning should place clients at the centre and ensure that they do not have to navigate through the diverse services they may need, such as housing, income support or even the corrections service. They should also not need to have someone doing this on their behalf.
- The Government needs to coordinate the services provided by different agencies, through joint commissioning of health, welfare, housing and other services.
- Whanau Ora is a useful model, because it places the family at the centre of the commissioning arrangements.
- *Key success factor*: A sufficient level of capability in the commissioning agency, including real knowledge of the sector for which they are commissioning services.
- *Possible principle*: Adopt a whole of system approach to meeting health needs and improving health outcomes.
- *Possible principle*: Ensure commissioning agencies have the capabilities to undertake best practice commissioning.
- *Possible principle*: Combine resourcing across funding agencies in cases where responses require a comprehensive approach that spans agencies. Commission for an integrated on-the-ground-response.

[1] Dr Barbara Disley, Mr Mark Brown and Mr Warren Lindberg.

Topic 2 Taking account of providers' views

- Commissioners typically specify requirements without discussing them with providers or service users. This may be appropriate when little is changing, but more fluid engagements are needed when the area is dynamic and evolving.
- Commissioning is a better paradigm than contracting. This involves taking a holistic approach, involving providers in the whole process as equals, from developing the strategy onwards.
- When contracting was introduced, it was more like this commissioning paradigm, but it has evolved into a 'them and us' approach, in which the funder may not even know the provider and the funder seeks to avoid risks; for example, by requiring prescriptive and short term contracts.
- The essential element of a successful contract is the meeting of minds between funder and provider, based on trust. This can be obtained through a careful and respectful relationship, building from a transparent tendering process to honest outcome measurement and evaluation.
- An EOI approach, as used by the Department of Corrections, is a better approach, involving providers and commissioners working together to determine how best to achieve desired outcomes. A good EOI process is a partnership in which the commissioner and provider co-create an agreed view of the desired outcome and the approach.
- Because providers and commissioners don't work together, the risk that the provider will fail is often overlooked. And short term contracts discourage providers from developing their capability and make it difficult for them to attract staff.
- Within the MoH, the policy and purchasing groups are separate. We are optimistic that the new structure will support co-design of services and funding decisions.
- There is a need to move towards relational contracting.
- The Productivity Commission's suggestion that there be a specialised commissioning agency would help to overcome some of the current problems with contracting.
- *Possible principle:* Commissioners should engage with potential service providers well in advance of commissioning new services.
- *Possible principle:* Co-design solutions; engage with stakeholders, including consumer representatives, peak bodies, community organisations, potential providers and other funders, to develop evidence-based and outcome-focused solutions.
- *Possible principle:* Put impacts for users at the heart of the strategic planning process.
- *Possible principle:* Base all decisions on evidence of a favourable impact on outcomes and value for money.

Topic 3 Hui E! principles

- They are a good set of principles for the NGO Council.
- Their starting point is that 'we're on the same side'. This is different from the way that the contracting model is applied at the moment, through the principal-agent paradigm. This paradigm assumes that the principal knows what he wants and can pay for it, and the agent knows how to deliver it and needs the money. And this occurs within a risk management context.
- The principal-agent approach does not fit in with ethos of NGOs, which are driven by a desire to achieve better outcomes and to look for better ways to make their contribution.

- The focus on client-led approaches implies that clients can make informed choices, but this is rarely the case from a public health perspective (because clients have poor information and/or there is little choice between providers).

Topic 4: Taking account of the differences between client groups

- There's a continuum of people, from those who are capable and want to handle their funds directly and employ their own staff, to others who make decisions regarding their service packages and require flexible and new services from providers, through to those who do not want to make choices and simply want a provider to take care of everything.
- There needs to be careful market design and stewardship, which involves users in market design and recognises that they are not all the same and have different needs. Commissioning needs to be informed by the experience of people who use the service and have lived through the problem it is intended to address.
- Design needs to recognise that people who are given control of their budgets may not take a long term view. They may not invest their budgets in support services that have a long term payoff.
- Hence introduction of a client-directed model needs to be accompanied by 'education' about the benefits clients will receive if they take a long term view. Providing examples of the benefits will be helpful.
- When a client-directed model is used, there needs to be development of awareness over time of the range of choices available – people are unable to exercise real choice if they have no experience or awareness of the possibilities. It is possible that users who now do not want choice will change as they see what is on offer and become more comfortable with it, but this will take time.
- *Possible principle:* Recognise that there is a continuum of users with different needs and capacities to adjust to new ways of providing services. Look for ways to inform and educate users about the best ways to take advantage of services.

Topic 5: Outcome-based contracting

- The key requirement is to have clarity about the desired outcomes, combined with a contracting model that gives the provider flexibility to apply resources efficiently to achieve those outcomes. Achieving this requires more trust between the providers and commissioning agency than now normally exists. The absence of trust occurs partly because there are so many commissioning agencies (for example, 21 in mental health) with consequently low levels of capability and cohesion between them.
- Outcome-based contacting can encourage innovation and facilitate integration. However, implementing this approach is rarely simple, and sometimes is not feasible.
- Because of difficulties in defining outcomes, we often end up with either highly prescriptive contracts specifying inputs and processes, or contracts with very woolly outcomes that fail to deliver anything useful.
- However, we are getting better at developing meaningful outcome measures, backed up by a programme logic and useful performance indicators.
- The Productivity Commission's view, that government agencies and NGOs should expand the use of contracting for outcomes, while recognising that this is not always the best option, is sensible.

- *Possible principle:* Expand the use of contracting for outcomes, while recognising that this is not the best option when, for example, outcomes are not measurable, or cannot be attributed to a specific intervention, or can only be achieved beyond the life of a contract.

Topic 6: Commissioning from in-house providers

- NGO or private providers often bring new expertise or processes that yield better value for money. To ensure that the government can take advantage of these benefits, when it is has the option of purchasing internally, the commissioning process should be subject to the same scrutiny and distance between provider and commissioner as would apply to an external provider.
- Conflicts of interest, such as might occur when there is a relationship between the commissioning agency and the provider, should be avoided. There are examples where commissioners favour in-house providers even though they deliver less value for money.
- *Possible principle*: Ensure procurement and contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, and subject internal providers to the same scrutiny and distance between provider and commissioner as would apply to an external provider.

Topic 7: The investment approach

- The Government wants to promote this approach and NGOs are keen to get on board with it.
- Most discussion has been about situations where early investment pays because it reduces or removes the need for social services to be provided later on.
- The scenario for disability services is different. Here we are often talking about a person who will have a life-time need for support. In such cases, the investment approach is more about investing early on in a person's life in order to reduce that person's need for services later on. But some level of services will continue to be needed.
- Applying the proposed commissioning principles would encourage those designing the investment approach to take into account the different situations faced by various client groups.

Topic 8: The number of providers

- Some delivery models, such as the client based budgets and the use of lead contractors, could result in excessive concentration as large providers swallow up smaller ones.
- However, the appropriate number of providers in different situations is not clear.
- *Possible principle:* Commissioning agencies should engage with NGO providers and other stakeholders and should be transparent regarding the characteristics of the 'market place' they want to foster in terms of scope, size and number of providers.

Commissioning principles in other jurisdictions

This section provides three tables, summarising examples of commissioning principles used in the UK, Australia and New Zealand. The principles used in these jurisdictions are similar to the ones that have emerged from the interviews. However, eight principles (italicised in the tables) are used in other jurisdictions but were not covered in the interview-based principles:

- Monitor and evaluate through regular performance reports; consumer, clinician, community and provider feedback, and independent evaluation.
- Shape and support the market to ensure stability, sustainability and value in the short, medium and longer term.
- Ensure that activities at each stage of the commissioning cycle are informed by evidence and need, and are undertaken with due consideration of potential innovations.
- Feedback from local communities informs assessment of the effectiveness of the commissioning process in meeting local needs.
- Promote wellbeing, prevention and early intervention.
- The autonomy of the voluntary sector is respected.
- Communications are open and timely.
- The parties work constructively together.

Table 1: Commissioning principles in the UK

UK National Audit Office	RCGP Centre for Commissioning
Understanding the needs of users and other communities by ensuring that, alongside other consultees, you engage with the third sector organisations, as advocates, to access their specialist knowledge.	Engaging local people and communities throughout the commissioning cycle and prioritising the needs of patients and the public.
Consulting potential provider organisations, including those from the third sector and local experts, well in advance of commissioning new services, working with them to set priority outcomes for that service.	Putting clinicians at the heart of designing and delivering innovative, evidence-based and high quality healthcare services.
Putting outcomes for users at the heart of the strategic planning process.	
Mapping the fullest practical range of providers with a view to understanding the contribution they could make to delivering those outcomes;	Working with the full range of partners to develop effective, sustainable and integrated healthcare systems.
Considering investing in the capacity of the provider base, particularly those working with hard-to-reach groups.	
Ensuring contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including considering sub-contracting and consortia building, where appropriate.	
Ensuring long-term contracts and risk sharing, wherever appropriate, as ways of achieving efficiency and effectiveness.	
Seeking feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs.	Meeting the healthcare needs of the whole population, including the disadvantaged and the vulnerable to improve health outcomes.

Table 2: Commissioning principles in Australia

SA Health Clinical Commissioning Intentions	Commissioning Framework North Western Melbourne PHN 2016	PHN Central and eastern Sydney	Primary Health Network Commissioning Principles
Clear alignment with the SA Health Care Plan and/or other national or state objectives, the SA Health budget and agreed savings strategies.	Undertake commissioning in a manner consistent with our strategic objectives and our values of equity, respect, collaboration and innovation.		Understand the needs of the community by analysing data, engaging and consulting with consumers, clinicians, carers and providers, peak bodies, community organisations and funders.
Initiatives must strive to achieve best value for money and support long term sustainability.	*Shape and support the market to ensure stability, sustainability and value in the short, medium and longer term.*	Initiatives will strive to achieve best value for money.	Engage with potential service providers well in advance of commissioning new services.
Investment will be targeted at the most appropriate services and clinical interventions and innovative models of care.		Emphasis will be placed on developing good quality services and continually improving clinical quality, outcomes and experience.	Putting outcomes for users at the heart of the strategic planning process.
Emphasis will be placed on developing good quality services and continually improving clinical quality, outcomes and experience for service users Emphasis will be placed on improving access and informed patient choice.	*Ensure that activities at each stage of the commissioning cycle are informed by evidence and need, and are undertaken with due consideration of potential innovations.*	Emphasis will be placed on improving access, especially for vulnerable populations.	Understand the fullest practical range of providers including the contribution they could make to delivering outcomes and addressing market failure and gaps, and encourage diversity in the market.
Emphasis will be placed on developing integrated services and improving integration,		Investment will be targeted at the most appropriate services and evidence based	Consider investing in the capacity of providers and

coordination and continuity of care.		clinical interventions and innovative models of care that promote more interaction between a wide range of practitioners, for example person-centred care models and acute care collaborations. Emphasis will be placed on improving integration and coordination.	consumers, particularly in relation to hard-to-reach groups.
Decision making will be evidence based, open and transparent.		Decision making will be open and transparent and based on priorities identified through health needs assessment and planning.	Ensure procurement and contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including alternative arrangements such consortia building where appropriate.
Interested parties have been actively engaged, recognising the skills, knowledge and expertise that will strengthen commissioning activities and shaping of services.	Undertake meaningful and multifaceted engagement with community, consumers, carers, advocates, providers, policy makers and others throughout the commissioning cycle.		Ensure efficiency, value for money, and service enhancement.
Clinicians will be an integral part of planning processes, accountability and governance arrangements.		Where appropriate, we will co-design service. The process will build and value partnerships with service providers and service users and recognises that we share responsibility and accountability.	*Monitor and evaluate through regular performance reports; consumer, clinician, community and provider feedback, and independent evaluation.*

Service development is patient centred and engages local communities in planning and decision making to ensure our strategies meet local needs and priorities.			Adopt a whole of system approach to meeting health needs and delivering improved health outcomes.
Feedback from local communities informs assessment of the effectiveness of the commissioning process in meeting local needs.			Co-design solutions; engage with stakeholders, including consumer representatives, peak bodies, community organisations, potential providers and other funders, to develop evidence-based and outcome-focused solutions.
Continuous monitoring of performance and evaluation of current and developing services to ensure that they represent best practice as outlined in national guidance, and have a clear impact on outcomes.	Adhere to best practice procurement, which promotes transparent, fair and equitable competitive purchasing. Implement effective monitoring and evaluation strategies that drive efficiency, effectiveness and quality, and that contribute to the evidence base.	Performance will be monitored and evaluated with agreed key performance indicators and outcome measures.	Manage through relationships; work in partnership, building connections at multiple levels of partner organisations and facilitate links between stakeholders.
	Eliminate unnecessary and burdensome reporting and administrative requirements, and embed a focus on achieving measurable outcomes throughout the commissioning cycle.		Develop environments high in trust through collaborative governance, shared decision-making and collective performance management.
		We will utilise a competitive process	

		but acknowledge that some potential providers may require support to participate and that, for some services, there may be a limited number of providers.	

Table 3: Commissioning principles in New Zealand

MoH Mental Health Commissioning Framework	Hui E! (work in progress)	New Zealand Government Procurement principles
Based on authentic partnerships that place people at the centre.	We begin with an assumption that we are "on the same side" as the government – aiming at a stronger, more healthy, more connected community. We don't begin with the classical contracting assumption that we can't trust the other, so must have a written contract to protect our interests.	Plan and manage for great results.
Builds on the strengths of people, family, whānau and communities.	We want to use the concepts developed within whanau ora as a starting point, not as an add-on – centrality of the whanau, power of the whanau, use of 'navigators' rather than 'doers' etc.	
Is a collaborative process that connects providers, agencies and government sectors to promote social inclusion and equitable outcomes.	Outcomes need to be developed jointly, including with the community sector, rather than being pre-determined by the funder/ purchaser.	Get the best deal for everyone.
Enables innovative and effective care tailored to meet need.		
Promotes wellbeing, prevention and early intervention.		
Ensures the right help, when it is needed, across the continuum.		
	Outcomes-based contracts need to ensure that the monitoring and reporting processes do not just add on more requirements while retaining all the current activity-based reporting requirements.	
	Mechanisms other than commercial tenders need to be looked at in awarding contracts – which will offer value for money,	Be fair to all suppliers.

	high quality standards, opportunities for new players – but which build on collaboration rather than competition. There are benchmarking, open book processes, and negotiating processes which can be drawn on in developing these mechanisms.	
	The added value that community sector groups bring needs to be taken into account as contracts are being developed.	
		Play by the rules.
		Get the right supplier.

Table 3: Commissioning principles in New Zealand (continued)

Auditor-General	Treasury	Code of Funding Practice
We expect public entities to demonstrate that they have entered into and managed funding arrangements with NGOs according to the following principles: • lawfulness; • accountability; • openness (transparency); • value for money (resources are used effectively and efficiently, without waste, and in a way that optimises the public benefit); • fairness; and • integrity.	Services purchased through contracts and other types of funding relationships should contribute to the achievement of Government outcomes and objectives.	• Respect • Cultural Context • Transparency • Open communication • Flexibility and innovation • Integrity • Accountability.
	Contracting should reflect the needs of the ultimate users or recipients of the service.	
	Contracts should provide appropriate accountability.	
	Contracts should represent value for the public money. The Crown and its organisations should act in good faith.	
	Government agencies should understand the nature of the organisations they and the Crown contract with.	
	Contracting and funding relationships with the community organisations should be consistent with the relationship the Government seeks to have with the community and voluntary sector. This implies: • Recognising the objectives of both parties.	

	• *Respecting the autonomy of the voluntary sector.* • *Communicating in an open and timely manner.* • *Working constructively together.* • Recognising the responsibilities of each party to its stakeholders.	

Table 4: Relationship principles in New Zealand

Kia Tūtahi Relationship Accord	Government Statement of Principles listed in the MoH Framework for Relations
We will respect Te Tiriti o Waitangi.	Recognise and respect the principles of the Treaty of Waitangi
We have a collective responsibility to hear and respond to the voices of all.	Respect the independence of community, voluntary and iwi/Maori organisations
	Respect and recognise cultural diversity
	Involve leadership within the community sector and from government ministers.
Our work together will be built on trust and mutual respect.	Acknowledge and support the positive role played by umbrella, national and strategic collective bodies
	Demonstrate effective two-way communication
	Enable mutual interests to be achieved through co-operation
	Embrace innovation and creativity.
We will act in good faith.	Are founded on public accountability and appropriately flexible good practice.

References

Auditor-General, *Part 3: Principles for good management of public resources* http://www.oag.govt.nz/2006/funding-ngos/part3.htm

Department of Internal Affairs, *Code of Funding Practice* http://ndhadeliver.natlib.govt.nz/ArcAggregator/arcView/frameView/IE16054201/http://www.goodpracticefunding.govt.nz/

Department of Internal Affairs, *Kia Tūtahi Relationship Accord,* https://www.dia.govt.nz/KiaTutahi

Government of South Australia, undated, *SA Health Clinical Commissioning Intentions July 2013 - June 2017* http://www.sahealth.sa.gov.au/wps/wcm/connect/e32a3e8040b4d859a817fb809397f885/Clinical+Commissioning+Intentions-Plan%26Comm-Pol%26Comm-20130812.pdf?MOD=AJPERES&CACHEID=e32a3e8040b4d859a817fb809397f885

Ministry of Health, undated, *A Guide to the Commissioning Framework for Mental Health and Addiction 2015*: *Consultation document* https://www.google.com.au/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF8#q=Commissioning+framework+guidance+and+good+practice+New+Zealand

Ministry of Health, *Framework for Relations between the Ministry of Health and Health/Disability Non-Government Organisations,* http://ngo.health.govt.nz/resources/ministry-health-publications/framework-relations

National Audit Office, undated, *Principles of good commissioning*, https://www.nao.org.uk/successful-commissioning/general-principles/principles-of-good-commissioning/

New Zealand Government, undated, *Procurement principles*, http://www.business.govt.nz/procurement/for-agencies/key-guidance-for-agencies/principles-rules-and-the-law

New Zealand Treasury, 2009, *Guidelines for Contracting with Non-Government Organisations for Services Sought by the Crown* http://www.treasury.govt.nz/publications/guidance/mgmt/ngo

North Western Melbourne PHN, 2016, *Commissioning Framework* 2016 http://www.mpcn.org.au/_uploads/_ckpg/files/About/PHN-Commissioning-Framework.pdf

PHN Central and Eastern Sydney, 2016, *Commissioning Framework 2016-2018 Supporting, strengthening and shaping a world class, person-centred primary health care system*, https://www.cesphn.org.au/documents/filtered-document-list/1084-commissioning-framework-2016-2018

Primary Health Network, *Commissioning Principles*, http://sydneynorthhealthnetwork.org.au/wp-content/uploads/2016/05/PHN-Commissioning-Principles.pdf

Royal College of General Practitioners, undated, *Principles of good commissioning summary*, http://www.rcgp.org.uk/policy/~/media/6C164D7796EA49A3AC25AD5383AEC653.ashx