



# Commissioning Public Services Using a Public Value Creation Framework

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# Commissioning 1/2

- **Procurement** is a ‘**key element** of the Government’s Public Service Reform agenda’ (procurement.ie)
- **Commissioning** public services can be defined as a ‘**strategic process** linking resource allocation with assessed needs’ (Colgan et al, 2015)
- ‘The language of “market” also tends to imply a process of outsourcing public services, and competitive tendering. The literature highlights the fact that **Commissioning does not necessarily imply the outsourcing of a service nor does it necessarily imply competitive procurement**, if the Commissioning process suggests that may not be necessary. However, this is a contested area.’ (Colgan et al, 2015 p. 26)

# Commissioning 2/2

- *Public Service Reform Plan 2014-2016 (PSRP)* recognises the **multiplicity of competencies involved in commissioning public services and the skills required to deliver commissioning**, including specifying policy outcomes, planning, engaging with potential providers, procuring and contracting, and managing the delivery of services (PSRP, 2014 p.15).

# Public Value of Ireland's CV Sector

- Moore, M H (1995) *Creating Public Value: Strategic Management in Government*. Harvard University Press
  - Monetary value and non-monetary value/goals
  - Ethics and values in how services are delivered, not just in the end-result
- O'Connor, N (2016) *Let's Commission for Communities*. Community Foundation for Ireland, Clann Credo and The Wheel.
  - Commissioning ≠ competitive tendering
  - Good public services: quality, efficiency, responsiveness, accountability and equity (Le Grand, 2009)
  - “Societal Value” framework

# Programme for Government

- The May 2016 *Programme for a Partnership Government* (PFAPG) pledges to ‘ensure that all commissioning for human, social and community services takes place in a **societal value framework** (targeted at maximising the value for society)’ (PFAPG, 2016 p.131).
- But, the same programme emphasises the importance of ‘**Competitive Funds**’ and ‘**competitive calls**’ for service delivery (PFAPG, 2016 p.149)

# New Public Management (NPM)

There is no agreed definition of NPM, but OECD (2010 p.55) argues that the following are core elements:

- Separation of execution from policy development
- More autonomy for line managers in operational management, both in policy development and policy execution
- Steering and control of executive agencies on the basis of measured output
- Budgeting on the basis of measured output (performance budgeting)
- Outsourcing of intermediate production to the market

# Shifts in Public Governance

<b>Traditional Public Governance</b>	<b>Modern Public Governance [NPM]</b>	<b>Public Value Creation Framework</b>
(1) Emphasis upon politics	(1') Emphasis upon getting the job done	(A) Emphasis on long-term social, economic and environmental outcomes
(2) Use of public law mechanisms: (a) bureau; (b) public enterprise	(2') Use of private law instruments: (a) the contract; (b) tendering/bidding	(B) No preference between mechanisms, provided transparency and accountability are achieved
(3) Separation between public and private players	(3') Levelling the playing field	(C) Public, private and voluntary sector collaboration, including co-production with citizens

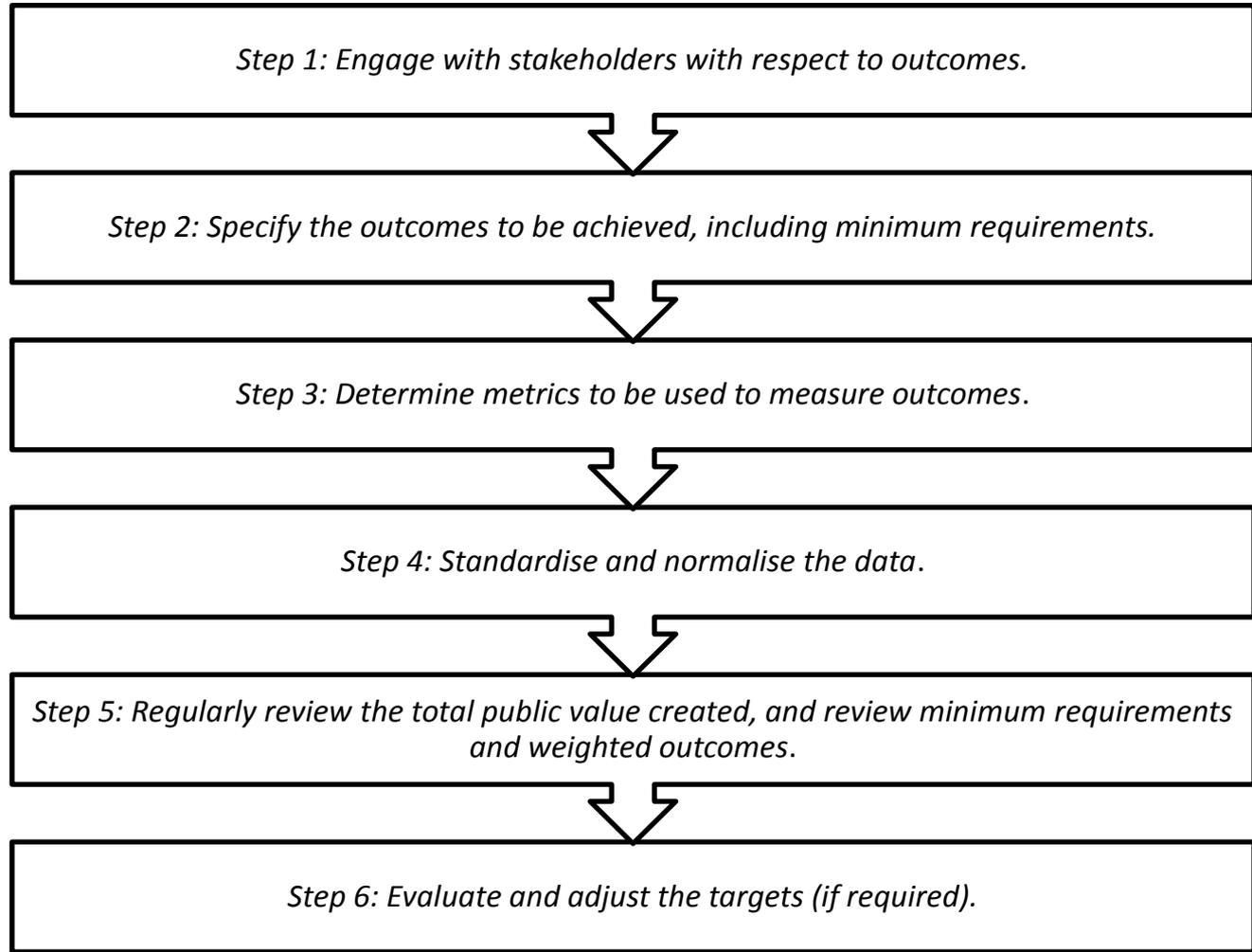
# Value Creation (Private Sector)

1. Decisions are taken by companies so as to **maximize owners' wealth**.
2. Owners' wealth can be maximized through **maximizing owners' purchasing power**.
3. Purchasing power can be maximized through **maximizing** the amount of cash the company pays out to shareholders in the form of **dividends**.
4. With the introduction of the time dimension, the objective becomes the **maximizing of the value of the dividend flow through time** to the shareholders.
5. The maximization of the value of the dividend flow through time **maximizes the stock market's valuation** of the company's share capital. However, ... it is really only a surrogate objective for the fundamental, underlying objective of **maximizing shareholders' wealth**.

# Public Value Creation

1. Decisions are taken by democratically-elected governments so as to **maximize public value**.
2. Public value can be maximized through the delivery of **the best possible public services**.
3. Good public services strike **an optimal balance between quality, efficiency, responsiveness, accountability, equity and ethics**. The specifics of this balance are informed by the best available scientific knowledge as well as by the political priorities of elected officials.
4. With the introduction of the time dimension the objective becomes the **maximizing of public value through time to the public**—i.e. not maximising short-term value if that sacrifices long-term, sustainable public value creation.
5. The maximization of public value through time is subject to the continued support of voters and service users. The underlying objective is to **maximize public satisfaction with the level of wellbeing** they attain from public services.

# Public Value Creation Framework



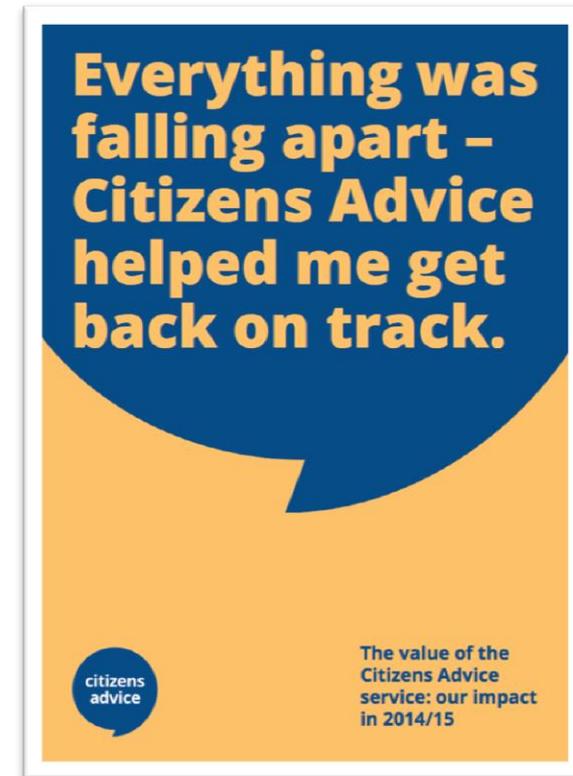


# Annex: Worked Example

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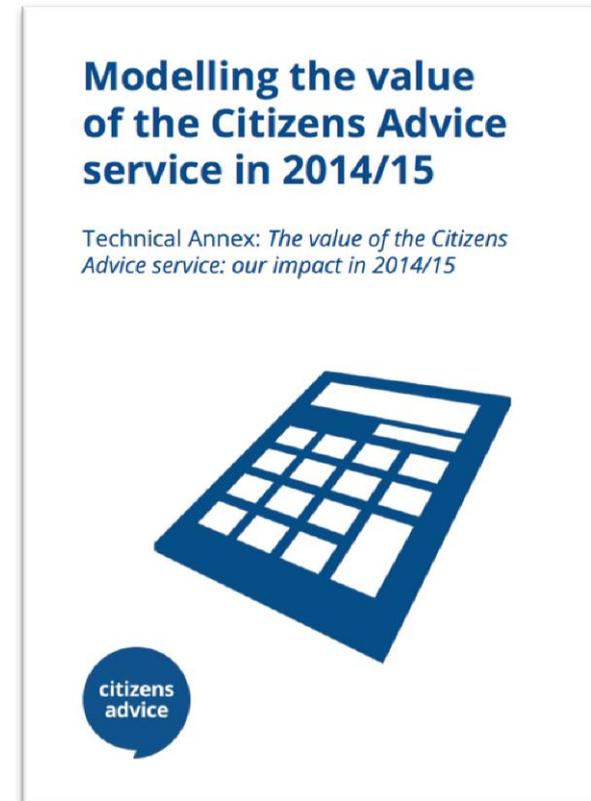
# 'The Value of the Citizens Advice Service' England and Wales

- Reduction in health service demand, local authority homelessness services and out-of-work benefits for clients and volunteers.
- Fiscal benefits: £361 million [€463m]
- Improvements in participation and productivity for clients and volunteers.
- Economic and social benefits: £2.1bn [€2.7bn]
- Income gained through benefits, debts written off and consumer problems resolved.
- Benefits to individuals: £2.6bn [€3.3bn]
- **Acknowledgement of non-monetary value created too**



# Method (New Economy)

- Citizens Advice outcomes surveys
- New Economy Manchester
  - Research institute
  - Cost-benefit analysis model for public sector programmes
  - Unit cost database (HM Treasury)
- Estimates are conservative
- Takes into account “deadweight” and “optimism bias correction”



# Public Value (England and Wales)

## Inputs

£239 million in public funding (pending audit figures)

2,500 locations where advice is provided

21,600 volunteers

## Outputs

6.2 million advice issues dealt with directly

2.5 million clients advised directly

- 2 in 3 have their problem solved
- 4 in 5 said advice improved their lives including through reduced stress and improved finances

20.7 million visitors to online advice [citizensadvice.org.uk](http://citizensadvice.org.uk)

# Public Value (England and Wales)

## Monetary Value

- £361m Savings to local and national government
- £249m Keeping people in jobs or help back to work
- £100m Preventing housing evictions
- £43m Preventing statutory homelessness
- £210m Reducing the demand for mental health services
- £10m Reducing the demand for GP services
- £1.2bn Improved mental well-being
- £202m Improved family relationships
- £5m From volunteering to paid employment
- £228k Skills developed leading to better job prospects
- £808k Better manage mental health conditions
- £20m Increased confidence/self-esteem
- £8m Reduced isolation
- £22m Positive functioning
- £7m Improved emotional well-being
- £38m Improved community well-being
- £1.9bn Benefit outcomes to individuals
- £577m Debt write-off
- £109m Consumer advice

## Non-Monetary Value

- Benefits to local government of **helping clients negotiate local processes**
- **Maximising clients' income**, spillover effects
- **Averting the detrimental costs associated with the impact on health of unsafe and substandard living conditions.**
- **£464 million of debts rescheduled**
- **Financial gain for individuals from charitable funds, or goods and services in kind, as well as financial outcomes associated with housing, employment, relationships or other problems.**
- **Keeping families together, preventing suicide and working with victims of domestic violence.**
- **Advice online** to 20.7 million visitors.
- **Reduced energy bills**
- **Avoiding the detriment associated with problem debt**
- Citizens Advice Bureaus' **research and campaigns work**

# Public Value Framework

What's new beyond what is in the Citizens Advice report?

- **Twin expressions** (monetary and non-monetary) of total public value
- **Political process** for setting objectives
- **Weighting** of outcomes (akin to Multi-Criteria Analysis)
- Setting of **targets**
- **Standardization** and **normalization** of outcomes data
- **Tracking** over time to inform policymaking