



# CBI – Creative ideas for challenging times – A CBI Public Services Strategy Board 2009 campaign review

## Summary

This report summarises some of the key activities and achievements of the CBI Public Services Strategy Board (PSSB) campaign on improving the UK's public services and restoring public finances. The PSSB has encouraged positive changes to the design and operation of a wide range of public services that will deliver better outcomes for the people that use them. The need to get public finances back into balance has increased the pressure not just to cut public spending but to find new ways to ensure our public services can provide more with the money invested in them.

Our message is clear: a tight spending environment is precisely the right time to look again at how our public services operate and where providers from outside the public sector can help deliver better value for money. That means promoting new models for running public services which are not only more efficient but which will improve outcomes for individuals.

Competition – used successfully to cut maximum waiting times for hospital treatment, improve results in schools, reduce re-offending and much more – needs to be used more effectively by government to get better value for money. One way it can do that is to improve how it commissions different services and place more emphasis on rewarding good providers who deliver better outcomes. And improvements in the productivity of our public services will come through engaging staff in new ways of working and learning from the best practice that already exists.

*Over the last year, the PSSB has:*

- 1 Maintained the pressure for reform during the recession
- 2 Lobbied strongly for a level playing field on public service pensions
- 3 Provided a long-term vision for welfare reform building on the Flexible New Deal
- 4 Supported improved outcomes for NHS patients
- 5 Engaged effectively with public service practitioners
- 6 Encouraged a partnership approach to commissioning local services
- 7 Ensured our new schools deliver educational transformation
- 8 Promoted effective public service delivery models
- 9 Responded to new policy agendas in home affairs
- 10 Addressed the risks to value-for-money procurement

## 1 Maintaining the pressure for reform during the recession

### The campaign challenge

2009 created unprecedented pressure on the UK's public finances as a result of the worst recession since the 1930s. The era of growth in public

spending was clearly over; the growing deficit in our public finances needed to be addressed to promote economic recovery. The UK entered a more uncertain period and the process of transforming the nation's public services seemed in doubt.

All the main political parties recognised the importance of getting the public finances back into balance. As the year progressed, the need to cut future spending dramatically re-shaped the political landscape at a local and national level. This is now the key battleground for 2010 and beyond. Can spending cuts be achieved without undermining the services offered to the public?

The public has accepted the need for greater efficiency in public services but remains uncomfortable with cutting services. As in the past, a rush to make savings risks reducing the quality of many public services, if budgets are slashed without addressing whether services can be delivered more effectively at less cost.

The PSSB's concern was that the positive achievements of the last decade in improving services – by opening them up to new providers who could improve performance and raise standards – could be undone by simply salami slicing budgets. Given this risk, the CBI needed to make a clear link between restoring fiscal balance and the re-design of key public services.

### The CBI's response

The CBI argued that savings and reform are two sides of the same coin. Responding to the political pressure for a slash and burn approach to budget cuts, our message needed to be clear and simple: the recession was not the time to let up on the drive to improve public services.

The PSSB believes better education, health, policing, local services and employment outcomes will be achieved where there is freedom to innovate and change, and where fair competition is encouraged between providers to ensure the best value for money. In the first half of 2009 we saw that the years of throwing money at the structural problems of many public services were over. A new narrative was required, drawing on existing good practice examples of cost-effective public-private partnerships.

In June the CBI called for politicians to be more honest with the public about the problems facing our public services and the need for a credible plan to getting spending under control. Our 2009 public services survey demonstrated that most CBI member companies were concerned that public service reform was on hold. We called for a more informed debate about what sort of public services are needed, who should deliver them, and how to best improve their performance.

In the second half of the year, as the depth of the hole in the public finances became more apparent, there was an acceptance among all political parties of the need for significant cost savings. As the key element

in the CBI's Pre-Budget Report submission in October, our report *Doing more with less* put forward a comprehensive list of radical and achievable changes to the way public services are managed. If implemented, they could achieve over £130bn of savings by 2015-16 and ensure the nation's finances were balanced two years earlier than the government had proposed. As well as achieving good coverage in the media, this report positioned the CBI strongly in the public debate on how public spending should be addressed.

## What made a difference

The CBI worked well with all the main political parties, providing evidence and responding to questions about potential new models for key services. Our message was clear and the intelligence gathered helped our policies to evolve and enabled us to fine tune our campaign.

The PSSB's aim has always been to present a credible road map for effective public service reform. This period of spending austerity, while tough, should be seen as a catalyst for more radical solutions to how services are provided.

Our engagement with political and policy audiences remained rooted in the practical evidence of the impact of changes in how public services operate. Successful 'public services in action' days have given government ministers and opposition shadows the opportunity to see for themselves the difference private providers are making and to speak with staff and the public about the positive impact these new services have made.

## The result

The CBI has been frank and honest about the extent of the challenge facing public services in the teeth of the worst recession for over 70 years. The PSSB has set out an unambiguous message linking public service reforms with the need to get public finances back into balance.

Our *Doing more with less* paper has ensured us not only good media coverage but a credible platform on which we will campaign. Feedback from senior politicians on all sides to our latest recommendations on NHS market reform, for example, indicates our ideas have had a positive impact in demonstrating how significant savings are possible without undermining the services which voters expect and upon which they depend. We have set out an agenda for positive change.

# 2 Lobbying strongly for a level playing field on public sector pensions

## The campaign challenge

The quality, productivity and value achieved by our public services are improved when providers from the private, public and third sectors can compete to improve them. New providers bring different ideas and approaches. When any existing provider knows there are other organisations keen to deliver that service and improve it, it stimulates them to look again at their operations and find ways to improve them.

This was the case in the prisons sector, where competition has led to higher performance standards in public and private sector prisons. We've also seen it operate well in the NHS and local government. Too often, however, the ways in which these markets work discourages competition and innovation. Private providers seeking to improve a service in particular face significant disadvantages when they bid for contracts – the true cost of matching existing pension provision can sometimes make an independent sector bid too costly. The end result is that the public using a school, hospital, local training centre, or local government service – and the taxpayers which pay for them – are short-changed.

## The CBI's response

Though the issue was widely known among members – and acknowledged by some public service commissioners – the extent of the problem of public sector pension costs distorting competition was unclear. While the cost of final salary public sector pension provision differs between markets, in most cases there is a considerable disparity between the cost for the public sector and the cost for private and third sector providers in matching final salary pension benefits.

Positive steps have already been taken in local government to address this. Some local authorities and providers have reached agreements which allow employees to transfer across to a private or third sector employer and remain members of a particular local government pension scheme. The CBI proposed building on this experience to make it easier for private and third sector providers to maintain the public sector pension provision for any transferred employees. This is a first step which, if adopted across different public service markets, would make a considerable impact.

In healthcare, the lack of access for private providers to the NHS pension scheme remains a significant barrier to new providers investing to compete to provide NHS services. The potential to build on the success that private providers had had in the running of secondary care or GP services was at risk. It was important for us to link this competition issue to the wider NHS efficiency agenda and to make the case to the Treasury and the Department of Health for independent providers to access the NHS pension scheme, to raise standards across the board.

## What made a difference

Our report *A question of balance* presented market-by-market evidence of the problems encountered by providers as a result of the cost of matching public sector pension provision. We sought to challenge the status quo on public sector pensions and the lack of any concerted action to address their impact on the performance of services. It was crucial that we showed the problems experienced by providers and the practical effect pension issues were having on decisions to invest in new services.

There are no quick fixes for public sector pension competition issues. We know change will not occur overnight. However, the questions needed to be raised and we have stimulated a debate about the long-term impact of diminished competition on the ability of government to use independent providers to improve many public services and realise the savings that are urgently required. By raising this issue during the recession, we sent out a strong message that this pensions question – though tough to solve – is at the heart of how government gets the best results out of its different public service markets.

Having a work-around to this competition issue was important for the CBI's report to have credibility. Our proposed solution – allowing new providers to become a Public Sector Participating Employer – could be readily replicated across different markets without excessive cost and with relative ease, given the evidence benefits of doing so. Our ideas on pension reform reinforce the role that competition plays in promoting the new ideas in service design and operation which are needed by many of our public services.

## The result

Our report has triggered a debate that needed starting, but it will not conclude straightaway. Reform of public sector pensions is a slow-burn issue and one which attracts a high degree of political risk. But with this report the CBI increased awareness of specific competition issues around this debate which will have direct consequences for efforts to promote and economic recovery.

The Treasury is now undertaking a review of the impact of transferred pension schemes on market competitiveness and the Office of Fair Trading is recommending that some of the tax, pension and regulatory issues which currently prevent fair competition in public service markets are addressed across government.

## 3 A long-term vision for welfare reform building on the Flexible New Deal

### The campaign challenge

The introduction of the Flexible New Deal (FND) in 2008 was an important step in helping the long-term unemployed back into work. The use of prime contractors to deliver this service and the impact of the recession on unemployment levels intensified the need for a new approach, with payments dependent on getting the long-term unemployed back into the workplace. This was the model recommended by the CBI in 2007. The model we proposed encouraged much greater innovation in welfare delivery and an approach to financing which would allow the DWP to invest in services which would deliver significant savings over the long term.

### The CBI's response

At a time of political and economic short-term thinking, the CBI re-made the case for a long-term approach to reducing unemployment. Our focus remained on finding the most effective ways of helping the long-term unemployed – many of whom are from vulnerable groups – re-engage with the world of work. Only by commissioning services that successfully address the multiple factors behind long-term worklessness can savings be achieved in the long-term.

Our work throughout 2009 (which included our November report *Joined up, moving up*) emphasised the need for all political parties to remain bold in their thinking. Up-front investment in supporting the different needs of each individual claimant – using the providers with the best experience and ideas for getting people back on the road to employment – delivers long-term cost savings. We promoted accounting changes to departmental expenditure that would enable government to invest to help the unemployed. While difficult, such changes are vital to ensure that the UK can avoid the social and economic impacts of persistently high long-term unemployment.

The rise in unemployment and the recession also changed the risk profile for providers contracted to deliver the FND. We worked closely with providers and the Department for Work and Pensions to ensure that existing contracts best reflected the new risk profile created by the recession and ensured contracts remained viable and able to deliver the desired results. The CBI is now well positioned to continue this dialogue in the next wave of contracts.

### What made a difference

We demonstrated to government ministers and their shadow counterparts the effectiveness of the new approaches which private providers – often in partnership with third sector bodies – are using to support individuals experiencing multiple disadvantages back into employment. Visits by ministers and shadow ministers to members providing employment training and support in partnership with other organisations have provided a unique opportunity to show that joined-up service delivery is not a theoretical nice-to-have but a practical reality. With the right commissioning and contracting framework, this approach was helping unemployed people find work during the recession.

### The result

By working closely with the DWP and Jobcentre Plus, the CBI has helped ensure the Flexible New Deal programme is successfully bringing together providers from all sectors to tackle worklessness and give the unemployed the skills they need to get back into work as the recovery develops. In calling for changes to allow the government to invest more now to help the unemployed (the so-called AME-DEL switch), we unambiguously supported a long-term approach to achieve the required results.

## 4 Supporting improved outcomes for NHS patients

### The campaign challenge

There is a pressing need for the NHS to find £20bn worth of efficiency savings by 2015. This requires a radical re-engineering of how it operates and a new focus on patient experience and health outcomes rather than simply paying providers by activity, irrespective of results.

Yet following a period in which existing NHS markets have been opened up, we have seen a slowing down of the Department of Health's readiness to use the independent sector to improve performance. There is now an implementation gap between the commitment to deliver more care closer to patients' homes and achieving the reality of more efficient and patient-centred services. In 2009 we engaged those responsible for NHS strategic thinking to share the evidence of what can be achieved by creatively rethinking and commissioning key services.

### The CBI's response

Steps have been taken to reduce waiting lists and increase choice for patients; changes to GP services and the introduction of independent sector treatment centres have provided more convenient patient access to health care. But health reforms have barely touched the way the NHS runs primary and community care services. Many continue to operate as near-monopolies with scant analysis of performance data, a blurred separation of commissioning and provision and continued payment by activity rather than health outcome or patient experience.

In the research for our report *Best of health: improving lives through smarter care*, we showed independent providers we are working with the best NHS commissioners to bring new ideas to NHS primary and community care. We have demonstrated to policy makers that expensive and unnecessary hospital care could be avoided if more patients were more involved in the management of their own health and treated at home or in the community. The CBI also challenged the health secretary's claim that NHS providers should be 'preferred' providers, demonstrating that it was damaging to future patient outcomes. We worked with the Association of Chief Executives of Voluntary Organisations (ACEVO) and the NHS Partners Network to express our shared concern about the impact of any roll-back of NHS market reforms.

### What made the difference

We identified areas relatively untouched by reform and explored how they could improve the patient experience, prioritise wider access and encourage earlier diagnosis. We were clear in communicating the value of taking into account the solutions offered by private and third sector providers when developing commissioning strategies. We showed NHS stakeholders that a shift to contracting based on payment by health outcomes remains crucial to the long-term success of the NHS in achieving good outcomes within the tough spending targets it now faces.

### The result

Our health report research has provided a base for our lobbying work to influence the important 2009-10 NHS operating framework, commercial guidance and PCT procurement guide. It provides a coherent set of ideas for using market reform in the NHS to improve patient outcomes and save money, and at our launch event representatives from the three main political parties endorsed our call for a re-think of how the NHS operates. Separately, the ending of GP catchment areas, announced by the government in September 2009, endorsed the CBI's 2007 campaign message that the NHS must operate increasingly around people's lives. But the campaign continues as we work with the Department of Health to detail how practicalities – such as out-of-hours care and home visits – will be provided.

## 5 Effective engagement with public service practitioners

### The campaign challenge

While most policy is still determined in Whitehall, decisions about the design and operation of many public services are increasingly taken by officials in devolved agencies or in local government. New policies to improve public services and achieve significant cost savings are, however, ineffective if they are not reflected in day-to-day commissioning and procurement decisions. The CBI needed to deepen its relationships with public service practitioners to ensure a clearer understanding of how private providers could help implement policy goals.

### The CBI's response

We sought early dialogue with the officials who would be working on the practical implementation of new policies, to position the CBI and the PSSB as an accessible source of ideas for improving the delivery of services to improve quality and reduce costs. In healthcare, we have engaged directly with primary care trusts and strategic health authorities on the shape of future NHS commissioning. The risk for independent NHS providers is that the commercial knowledge and market design skills in the Department of Health are not always translated at a local level.

We established a programme of roundtables – beginning with the East of England SHA – to bring together commissioners, providers and procurers to discuss the development of an effective regional NHS market. SHA leaders accepted the need for a strong market in front-line clinical services if the NHS was to meet outcomes targets and respond to tighter budget restrictions.

Our report on integrating offender management – *Raising the bars* – was targeted directly at the new directors of offender management (DOMs), key regional officials now responsible for commissioning all criminal justice services. It aimed to show how the role private providers were already playing and share commissioning lessons from other services. We wanted DOMs to see providers as crucial partners in effecting change across the criminal justice system. The same joint problem-solving

approach was evident in our engagement with local authority leaders on the question of the strategic commissioning of locally delivered services.

### What made the difference

Early dialogue with NHS officials and commissioners ensures members' perspectives are heard as strategic plans develop in response to a changed financial environment. A shift to contracting based on payment by health outcomes is crucial to achieving the improvements and savings the NHS requires and independent providers are part of that change process. Our approach aims to show regional health officials how they could improve patient experience, widen access and encourage earlier diagnosis through new models of care.

The CBI was also the first private sector organisation to engage with DOMs after they began operating. We recognised their budgets were being squeezed and crime figures were rising, so by offering to work with them as this new market developed we could share the lessons from the innovative approaches adopted in other public services.

### The result

In healthcare, we agreed with the East of England SHA to develop a best-practice guide to procurement to inform commissioners. This model is now being adopted for our engagement with other SHAs. Engaging with the new directors of offender management early on positioned CBI members as a source of credible, practical and outcomes-focused solutions for reducing re-offending.

## 6 Encouraging a partnership approach to commissioning local services

### The campaign challenge

Tackling complex policy challenges such as childhood obesity, worklessness and local regeneration needs public services that operate well together and share responsibility for funding and getting results. With the squeeze on spending focusing local authority minds on the short term there is a risk that across-the-board cuts in spending could undermine this process.

We needed to encourage local commissioners to see the value of a shared approach to rethinking locally delivered services. This required all partners to be fully engaged in the discussion.

### The CBI's response

The CBI and Local Government Association (LGA) brought together providers and local authority leaders to understand what strategic commissioning can achieve. New research identified pockets of best practice that exist up and down the country; we then sought to isolate the models of strategic commissioning and partnership which would make these processes mainstream in every local authority.

Our report *Commissioning strategically for better public services across local government* recommended improved national and regional co-ordination in the design of key services. It built on the shared understanding between CBI members and local government officials as to what makes for good outcomes and identified a number of new ideas which could be replicated.

Our report emphasised learning from what was working well to ensure that strategic commissioning is not simply an aspirational phrase but a critical tool to implement the new Total Place agenda and encourage economic regeneration.

At our launch event in July 2009 all speakers welcomed our argument that creative commissioning challenged providers from all sectors to find innovative and more cost-effective ways of bringing different teams and providers together to tackle priority issues. We stressed that for Total Place to work, it was crucial to enable the combining of budgets and encourage local authorities to rethink how discrete services can be combined better to meet varied community needs.

### What made a difference

In developing our ideas we needed the experiences of bodies up and down the country which were getting to grips with strategic commissioning. Four roundtables in Birmingham, Manchester, Newcastle and London brought together providers, third sector bodies and council leaders and commissioners to identify what was already being done, what could be done and the barriers to running services differently. We demonstrated that providers wanted to be involved early on in making commissioning work in everyone's interests.

The CBI's report came out at a time when the impact of the fiscal crisis on future local authority budgets was becoming increasingly apparent. The strategic commissioning agenda has as a result become a key part of the question: how can local authorities create the cost savings that are required without undermining the quality of services?

### The result

Conversations with ministers and shadow ministers showed a broad recognition of the value of pooling of budgets and strategic commissioning in making services more effective and efficient. The CBI and LGA will use the developing consensus around Total Place to develop practical solutions for using strategic commissioning, to promote its development and ensure local communities can benefit from more targeted and effective services.

## 7 Ensuring our new schools deliver educational transformation

### The campaign challenge

Our first report on Building Schools for the Future (BSF) in 2008 set out the strategic need for the programme to increase its momentum and not lose sight of the importance of using secondary school renewal to transform the learning environment.

At the start of 2009 there were signs of a slowing down of the programme and a loss of clarity about its core purpose – raising educational attainment in schools. An additional risk was that the need for education authorities to find cost savings could encourage them to focus simply on a building programme and ignore the wider objectives of BSF.

### The CBI's response

In our 2009 report *Making the grade* we identified that while progress had been made – exam results in BSF schools improved at more than four times the rate of other schools – there was still more that could be done earlier to achieve the programme's central objective of transforming the educational opportunities for all children and young people.

Importantly, steps needed to be taken to reduce bid costs and delays for providers to ensure BSF remained a market in which they could invest. Our report proposed specific changes that would challenge cautious interpretations of EU procurement rules, changes which would straightaway create significant efficiencies. We also called for local education partnerships (LEPs) to be used to procure more than just school buildings in order to maximise the value from the investment in these partnerships.

### What made a difference

Our strong relationship with officials and leaders at delivery agency Partnerships for Schools (Pfs) proved crucial. Regular engagement between officials and members throughout the year ensured that the concerns expressed by members involved in bidding for BSF projects were understood by Pfs and by relevant ministers and shadow ministers. We worked closely with Pfs to establish how best to streamline commissioning procedures.

Our report drew extensively on the experiences of members involved in the delivery of new schools. While our message was broadly positive, we identified specific issues with the delays and rising costs associated with bidding, and sought action.

At a time when the private finance market was experiencing difficulties and public spending was under scrutiny, our report reinforced the CBI's messages that maintaining capital investment is crucial to the UK's economic recovery and that investment in our young people through BSF was necessary to ensure they are well positioned to contribute to the UK economy in the future.

### The result

Following consultations with CBI members and in line with the recommendations in our report, Pfs sought legal advice on aspects of the existing BSF procurement practice. When addressed, this should significantly reduce the cost of procurement in the BSF programme and reduce the time it takes for pupils to get access to new schools. This will ensure that the goals of educational transformation – increased opportunities for personalised learning, IT-enabled learning, improved attainment and pupil behaviour, lower truancy levels and higher teaching standards – can be achieved by more schools during the lifetime of BSF.

## 8 Promoting effective public service delivery models

### The campaign challenge

Public Private Partnerships – PPPs – are a proven way of delivering high-quality, value-for-money public services. Public sector commissioners and private providers routinely work together to improve outcomes for individuals and whole communities.

The Private Finance Initiative (PFI) is one partnership model which has been crucial to renewing the UK's public sector infrastructure. But the credit crunch and subsequent recession had led to questions about the sustainability of PFI and other partnership models. All partnership approaches to running public services would have to respond to the recession and new factors determining public service priorities, such as the Total Place agenda in local government. We needed to promote partnership working as one of the key ways for central and local government to do more with less.

### The CBI's response

Throughout 2009 we emphasised the benefits of PPPs to policymakers and commissioners, drawing on member experiences to highlight effective partnering models in schools construction, welfare provision, local government and criminal justice. Where PPPs have been criticised, we have responded quickly. For example, when *The Guardian* attacked the private sector's role in public services we secured a right to reply to rebut each criticism and emphasise the long-term benefits of PPPs to the public and the taxpayer. The subsequent online dialogue was fast and furious, indicating an increasingly polarised debate on the private sector's role in public services.

When the reduced flow of commercial credit threatened the closure of PFI deals, potentially depriving the public of better services, the CBI worked to ensure members' views were heard by the Treasury. As the squeeze on public finances developed, the PFI came under scrutiny with a House of Lords inquiry. Working with PSSB members the CBI robustly defended PFI, providing both written and oral evidence of its long-term benefits and improved experiences for the public using the schools, hospitals and municipal buildings constructed under PFI.

### What made a difference

We have drawn extensively on members' experiences of partnerships – both good and bad – to ensure our arguments are evidence-based, and officials and commissioners have understood the provider perspective when considering changes to partnering and procurement processes. We brought together members and senior government officials over the course of 2009 to identify how to renew the case for PPPs as a source of value in the drive for public sector efficiency and identify the new models of partnership which could thrive in this new era of austerity.

In December our report *World-class public services* reinforced to policy makers and officials how the innovative approaches to solving public services challenges taken by CBI members are improving the quality and efficiency of a range of services.

### The result

We have positioned the CBI as a means by which the Treasury and other officials responsible for the government's market design strategies can hear direct from providers what their experiences are on the ground in procurements, both good and bad. Effective and innovative partnership models remain central to the remedy we have put forward to rebalance public spending and boost the UK economy.

## 9 Responding to new policy agendas in home affairs

### The campaign challenge

2009 saw significant challenges for policy makers, providers and practitioners in criminal justice. The introduction of new directors of offender management in the National Offender Management Service (NOMS) was a significant step towards delivering joined-up offender management. We needed to ensure independent providers of offender management services were integral to the evolution of this structure. More broadly, the recession raised questions about the efficiency of the police service and the prospect of spending cuts, prompting the CBI to ask how the police could make the most effective use of their resources to reduce crime.

### The CBI's response

We reached out directly to all the new DOMs and their commissioning staff, as well as the wider justice commissioning community, to identify the lessons from what has worked in other public services. If the UK's criminal justice system is to work effectively, more focus must be put on reducing stubbornly high re-offending rates.

Our message in 2009 was simple: only by improving the commissioning of offender management services to join up probation, housing, welfare and education support could these goals be achieved.

CBI members already work in partnership with NOMS to provide a range of services including prisons management, offender training and resettlement and health services. We drew on their innovative approaches and experience to present a set of priorities for the DOMs and recommendations to policy makers on how providers could help achieve them.

The police service is a key partner in an effective offender management system. Richard Lambert's speech to the Police Foundation in June – the CBI's first intervention in policing policy since 2006 – highlighted the need to improve police productivity and encourage smarter working rather than simply put more police officers on the beat. Addressing barriers to effective procurement and resource sharing remain crucial to freeing up resources for frontline policing and maintaining public confidence in the criminal justice system.

### What made a difference

We were the first private sector organisation to engage extensively with the DOMs on the delivery challenges they faced in the teeth of a recession. Our June report *Raising the bars* presented a constructive, practical set of ideas for integrating offender management and rehabilitation, helping position the panel as a first port of call for DOMs seeking a provider perspective. It was important that wider business concerns about crime could be developed into specific proposals for reform.

Evidence from CBI members involved in policing services has helped develop a convincing set of proposals on police efficiency on which we can engage both policy makers and forces directly in 2010. The first of a series of planned roundtables with police authorities – held with Norfolk Police Authority – opened up a new mechanism for members to help police forces identify further efficiency savings. This will be supported with a new report in 2010 setting out our key recommendations on police reform.

### The result

We have positioned the CBI and its members as a source of credible, practical and outcomes-focused solutions with the new decision makers in offender management.

Early contacts with individual police forces indicated that our call for new ways of operations indicated a receptiveness to practical solutions from outside partners.

## 10 Addressing the risks to value-for-money procurement

### The campaign challenge

Improving public sector procurement is necessary to encourage more innovative and value-for-money public services. But in pursuing its low-carbon public services and equality objectives through changes to public sector procurement guidance, the government risked overlooking the implications of any changes if it did not engage effectively with private sector providers.

Proposed changes to European legislation also threatened to make procurement a social and environmental policy vehicle rather than a process for purchasing value-for-money goods and services from the market.

### The CBI's response

Private providers are already achieving positive results working with public sector partners in integrating sustainability objectives with service improvement. But too often this good practice is not shared and commissioners ignore the value of whole-life costing.

The CBI sought to promote positive changes without complex and potentially distorting guidance. Our report *Public services that don't cost the earth* showed that effective partnerships, rather than prescriptive legislation, achieve environmental goals and service improvements. Commissioners who adopt a whole-life cost approach to the design of new services encourage providers to adopt sustainable approaches from the start.

*In Promoting diversity: the power of procurement* the CBI demonstrated that successful private providers already recognise the benefits diverse workforce and services that reflect the different needs of every community. Simple, cost-effective solutions could achieve better outcomes for citizens and taxpayers without the need for inappropriate regulation and legislation. In our response to the government's consultation on its planned equality legislation, we emphasised the need for any equality duty on providers to be flexible and outcomes focused and to incorporate lessons learned from existing duties. We challenged the need to impose specific equality duties on contracting authorities as the best way to achieve equitable outcomes. The European Commission also proposed in 2009 a guide for factoring social considerations into public procurement; this failed to prioritise competing agendas and was likely to cause confusion for commissioners and providers alike. We worked with BusinessEurope to develop a robust response setting out members' concerns.

### What made the difference

Strong, effective and sustainable solutions already existed across the UK. This gave us a platform from which to challenge public sector commissioners to share this existing best practice. Evidence from members indicated existing guidance was confusing for local authorities. Without the right incentives, many authorities were choosing lower-price solutions which did not meet sustainability targets. Providers were investing in green solutions, but demand was not being stimulated. Failing to take into account the supplier market was putting at risk future investments in green services. On the social agenda, as well as direct EU lobbying we made the most of our existing relationship with the Office of Government Commerce to communicate our concerns and encourage it to raise these in discussions with the Commission.

### The result

The European Commission proposal for new guidance on social considerations in public procurement has been downgraded from a guide to a handbook, and amended to take into account most of the CBI's concerns. Best practice examples from UK providers were also included in the resulting publication. Our recommendations on diversity have been welcomed by the head of the Government Equality Office and the OGC has indicated a wish to use member case study evidence in its own guidance. Our ideas on sustainability have been well received by the Treasury and Department for Business, Innovation and Skills.

## Public service transformation in tough times – the challenges and opportunities ahead

The PSSB's report *Doing more with less* set out the challenge for public service reform. The recommendations in this report would, if implemented, deliver better outcomes for individuals and communities and achieve over £130bn in potential cost savings. The specific proposals we put forward showed what government could and should do immediately and over the longer term to lower public spending and improve the services people receive.

The CBI believes new ways of operating public services are needed to deliver better outcomes at lower cost.

*Our campaign is based on the following principles:*

- Value-for-money public services are secured through using competition effectively
- Competition encourages new and better approaches to running different services
- Transforming how public services operate will raise productivity and save costs
- Improvement is driven through better commissioning and procurement

*Radical reform to the way public services operate will happen if all levels of government review services against five core questions:*

- Is this something the government needs to continue?
- Is this something the government can afford to continue?
- Is this something that could be done more efficiently?
- Is this something that could be delivered better by the private or third sectors?
- Is this something that can be re-engineered to deliver a better service?

## We face challenges to our campaign...

**As the enormity of the challenge becomes apparent, the temptation in spending departments and in local authorities may be to slash costs**

We do not want to see a drive to the bottom resulting in low-cost, low-quality public services. Equally, ring-fencing spending without a forensic analysis of how each service operates will not achieve the outcomes required. What is more important is that government asks itself more fundamental questions about how different services operate to meet the outcomes they need to deliver.

**Isolating any key services from external competitive pressure limits the likelihood of major changes occurring to how they operate and control costs**

More of the same is not a route to long-term sustainable growth for any service given the need to cut spending and the increasing demands from the public. As has been shown in local government services and prison and offender management, the opening up of a market to competition raises the standards of all providers and encourages new thinking.

**Any short-term reduction in planned investment in the UK's public service infrastructure could store up problems for the future**

Investing in the infrastructure that underpins our economy is vital if costs are to be kept down and services improved. There is a risk that with the fiscal deficit weighing hard on every spending decision there may be a shift away from maintaining the new infrastructure, as happened so often in the past.

**The current spending crisis clearly makes a return to lowest cost procurement tempting**

When departments and local authorities are pressured to bring budgets into balance, lowest cost procurement may offer short-term respite but

services to the public will undoubtedly suffer. Cutting spending without any thought as to how a service could operate differently will inevitably mean worse outcomes for the public.

**...but there are significant opportunities in 2010 and beyond**

The CBI's campaign will make the case for a new approach to public service transformation:

**We will work with others to help establish a sustainable path back to fiscal health**

Our *Doing more with less* report demonstrates how a fundamental rethink of how our public services operate is crucial to addressing the funding shortfall. Our campaign will show that cutting costs need not mean cutting back on services through demonstrating the practical, achievable solutions that are available to commissioners

drawing upon successful examples already operating – which can make a dramatic difference to what outcomes can be achieved.

**We will ask tough questions about productivity in the public sector and demonstrate that improvements can be made which benefit the public and taxpayers**

Empowered public service staff are able to do things differently and design key services more around the needs of the individual or community. With public sector productivity not keeping pace with the wider economy, there are important lessons which the public sector could learn from how businesses have raised productivity to improve the service they offer their customers and clients.

**We will show how services should evolve to adapt to the new environment**

A range of models is currently used to operate public services: PFI is improving our schools through Building Schools for the Future; LiFT partnerships are improving local health; the prime contractor model is using business expertise to get people back into work. These will continue to play a role, but new models will be needed. The CBI wants to see more joint ventures, a commitment to investing to save, the expansion of co-funding and better joint working between different parts of government operating locally. Private providers are an important part of that process.

## Helping government to do more with less:

### The Public Services Strategy Board

Private providers make a significant contribution to public services in the UK. Competition has been used to cut maximum waiting times for hospital treatment, improve results in schools, reduce re-offending, build and maintain modern public buildings, release more resources to the military front line, make streets cleaner and safer and much more. Economic uncertainty means our public services face an unprecedented challenge: the government should explore innovative ways to operate key services and to measure and compare the different ways of delivering them.

The CBI Public Services Strategy Board believes competition amongst providers is the most powerful tool the government has to improve the value and quality of our public services and generate fresh ideas. The best providers, regardless of sector, should compete on a level playing field to deliver public services. Business needs effective public services to operate efficiently and should be part of the fabric of how they are delivered. This is why we continue to pursue vigorously the modernisation agenda.

Published by:



**DISCLAIMER** – This Guidance has been produced by BiP Solutions Ltd to provide assistance to those engaged in public procurement. The Guidance has been published in good faith by BiP and BiP shall not incur any liability for any action or omission arising out of any reliance being placed on the Guidance by any organisation or other person. Any organisation or other person in receipt of this Guidance should take their own legal, financial and other relevant professional advice when considering what action (if any) to take in respect of any initiative, proposal, or other involvement with public procurement, or before placing any reliance on anything contained therein.



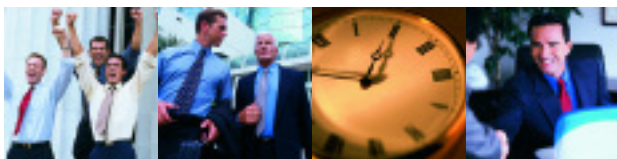
# Expert public procurement consultancy for **Buyers** and **Suppliers** at your service

## PASS CONSULTANCY

BiP's *Procurement Advice and Support Service (PASS)* provides organisations with access to experts in public procurement practices and procedures, thus helping you develop and deliver effective and efficient procurement. Our team offers a range of services to meet your specific needs. Whichever area you wish evaluated and improved, we have the experts to help.

*PASS Consultancy's mission is to help you deliver the best in government procurement through:*

- Practical solutions to improve procurement performance
- Innovative approaches to knowledge transfer within government
- Joined-up government
- Improved performance indicators
- Strategic direction and performance
- Opportunities offered by eGovernment
- Capacity to deliver change to meet identified needs
- Continuous improvement of services and challenging poor performance
- Sustainable development within decision-making processes and delivery of services
- EU-compliant processes
- Best practice procurement training



## PASS MARK HEALTH CHECK

The *PASS* service can help your organisation examine its current procurement organisational structures, strategies, processes, practices and related strengths and weaknesses. It delivers a detailed *PASS Mark Health Check Outcome Highlight Report (OHR)* that outlines areas of strength as well as those requiring further attention, and provides an outline *Project Initiation Document (PID)* designed to deliver a more effective and efficient tendering process that will help you achieve optimum performance and better value-for-money procurement.

## PASS – HELPING YOU MEET KEY OBJECTIVES

The key objective of public procurement professionals is to ensure that the most suitable supplier is selected to provide goods and services on terms which are likely to offer the best value for money. The *PASS* service helps you meet this requirement and deliver contracts that offer best value-for-money terms with suppliers who will execute them efficiently.

## PASS TRAINING

Our consultants can provide you with bespoke training packages to suit your needs. Consultancy and training is available for the following: environmental purchasing, partnering, evaluation, eGovernment, supplier debriefing, UK legal processes and precedents, contract management, EU-compliant tendering and much more.

## PASS ONLINE GUIDANCE

The *PASS* service provides online guidances on all aspects of the public procurement process and legal requirements:

[www.bipsolutions.com/html/briefing.php](http://www.bipsolutions.com/html/briefing.php)

## PASS IN-HOUSE PRESENTATIONS

*PASS* Consultancy can provide you with in-house presentations directed to buyer or supplier. Each presentation will be bespoke to your requirements, whether they be with regards to improving your tendering practices or your procurement strategy or processes. Contact: [pass@bipsolutions.com](mailto:pass@bipsolutions.com)

The *PASS Mark Health Check* is a process-based evaluation technique that helps identify how your company can develop more effective processes when tendering for public sector contracts.

For further information on the **PASS** service, contact our **PASS Team** on **0845 270 7055**, email [pass@bipsolutions.com](mailto:pass@bipsolutions.com) or visit [www.passprocurement.com](http://www.passprocurement.com)