



<b>Report to:</b>	Strategy and Resources Committee	<b>Date:</b>	11 April 2016
<b>Report title:</b>	Market Development Strategy 2016-2021		
<b>Report from:</b>	Jessica Crowe, Executive Head, Customers, Commissioning and Governance		
<b>Ward/Areas affected:</b>	Borough Wide		
<b>Chair of Committee/Lead Member:</b>	Councillor Ruth Dombey, Leader of the Council Councillor Simon Wales, Deputy Leader of the Council		
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<b>Corporate Plan Priorities:</b>	<ul style="list-style-type: none"> <li>• An Open Council</li> <li>• A Green Council</li> <li>• A Smart Council</li> </ul>		
<b>Open/Exempt:</b>	Open		
<b>Signed:</b>		<b>Date:</b>	30 March 2016

## 1. Summary

- 1.1 Sutton faces increasingly complex and growing demand for services. A rising population, driven by high rates of inward migration from other London Boroughs, a high birth rate and an increasing number of elderly inhabitants with complex health needs pose a significant challenge to our existing public services. At the same time, the authority has planned savings of £16m over the next three years and must find a further £16m by 2019/20 in order to fill the projected funding gap. This follows savings of £41m already achieved since 2010, equivalent in total to around 40% of our 2010/11 budget. Sutton's public services must therefore be precisely targeted, efficiently run and capable of providing what our customers need.
- 1.2 Drawing on a model first outlined by the Office for Fair Trading (OfT), the Market Development Strategy helps the Council achieve these objectives by establishing clarity and consistency in shaping and managing the markets within which we operate.
- 1.3 The Strategy starts out by analysing our current approach to market development, before assessing our strengths and pinpointing areas for potential improvement. A Public Service Diagnostics Tool, developed by the Institute for Government (IfG), enables commissioners to extend and systematise their knowledge of market intervention. The tool complements the OfT model by drawing out the risks of operating in different markets and how we can manage them for the benefit of our residents and service users. Finally the strategy includes an action plan, co-produced with the Council's Commissioning Board, that explains how we will apply insights from the IfG and OfT to maximise the benefits of competition, to shape and manage public



service markets in Sutton. As part of the development of our strategy, the IfG have requested permission to cite our approach as an example of good practice in the public sector.

- 1.4 The Market Development Strategy will deliver multiple benefits. Our initial consultative work with commissioners has enabled them to consider if, when and how they can influence markets for public benefit. Drawing out our strengths in services across Sutton, commissioners can now compare and prioritise sectors for further development. Applying the OfT model to our understanding of the market will engender a clear and consistent approach across the authority. This is likely to reduce transaction costs which, conversely would have been likely to increase during times new and different commissioning challenges. Embedded within the model, the IfG diagnostic tool identifies risks which commissioners are likely to encounter as they operate within different markets. The tool will enable commissioners to weigh up these different risks and develop suitable mitigating actions in their approach to contracting and procurement. Finally, the document gives a clearer steer as to the Council's commissioning intentions for the medium term.

## **2. Recommendations**

- 2.1 To agree to the Council-wide adoption of the Market Development Strategy (to be reviewed by the LBS Commissioning Board as part of the annual commissioning planning cycle) - Option 1 as set out below.

## **3. Background**

- 3.1 The Members' [vision](#) for Sutton as set out in 2012 makes clear our desire to develop both the diversity of service provision on offer and innovation within the market. We recognise that this vision may change through the refresh of the corporate plan, however any future direction is likely to benefit from a robust market development strategy. The strategy is further supported by our [Commissioning Framework](#) and our [Procurement Strategy](#), both of which confirm the Council's collaboration with service users, private and voluntary providers to meet the needs of our residents and stakeholders. Each Commissioning Directorate also publishes an annual Market Position Statement linked to the Council's [Strategic Commissioning Plan](#). The Market Position Statement signals to potential providers what we are seeking to achieve during a given financial year. Position statements are often complemented by regular provider forums to discuss commissioning intentions in further detail. It is our intention to build future plans on a 3 year cycle to reassure the market over our commitment to achieving strategic, corporate aims.

## **4. Issues**

- 4.1 Successful commissioning is enhanced where markets are used to drive down costs and raise quality. Opportunities to achieve this are present in new responsibilities that local authorities now have. In the sphere of public health for example Sutton's Health and Wellbeing Board challenges Clinical Commissioning Group (CCG) to ensure that the needs of local people are properly understood and met in a cost effective way.



- 4.2 Sutton's Council-wide commissioning approach asks officers, residents and stakeholders to grasp opportunities like this, thinking through what needs we are trying to meet, what outcomes are important to the local population and how we go about meeting them.
- 4.3 As part of the work behind this report, a consultation with leading commissioners in the authority prompted a highly varied response indicating a diversity of knowledge and awareness of the market sectors within which Sutton commissioners operate.
- 4.4 To maximise the benefits of market opportunities and to complement the Council's Commissioning Strategy, there is a clear need to draw on our learning so far to widen and embed a corporate approach to market development across all markets within which the Council operates. Council officers have collaborated with the Institute for Government to achieve this. A tool has been constructed and successfully piloted a tool that supports commissioners in systematically analysing the markets they operate in. The tool also facilitates getting better value from markets and managing attendant risks.
- 4.5 Sutton's total annual budget of approximately £145m is small compared to £1.9 billion of overall public sector spend in the Borough. One important challenge is to ensure that the authority leverages further investment through active partnerships across the public, private and voluntary sectors. With a wide set of skills, local knowledge and capacity in areas like transport, housing and infrastructure, Sutton is well placed to lead local growth initiatives through partnership vehicles like the Opportunity Sutton Economic Growth Programme. Through pooled budgets like the Better Care Fund, co-managed with Sutton's Clinical Commissioning Group, more investment can be shifted from hospitals into the community. Through the targeting of prevention with public health initiatives like smoking cessation and childhood obesity campaigns the authority will be challenged by new sectors working in different ways.
- 4.6 At a local level Sutton is well placed to generate more economic activity and social reciprocity by building on projects like Sutton Shares, the Borough's time-banking currency that rewards local volunteering. Sutton will also be well advised to learn from community schemes like the Brixton Pound, a local currency that local SMEs use alongside £ sterling to increase local trade, business diversity and economic dynamism. There are early discussions with our voluntary sector to consider implementing something similar in Sutton as well as exploration of a Local Giving model.

## **5. Options Considered**

- 5.1 Option 1 - One cross-council strategy & one accompanying Market Positioning Strategy (MPS)  
This is the recommended option as it recognises the Council's collective buying power and that different commissioning teams can often trade with similar suppliers. This option makes clear what the organisation is seeking to do, in once place, and should be more accessible to the market based on historic feedback from suppliers.
- 5.2 Option 2 - Directorate specific strategies & position statements  
This is similar to our current approach and is rejected as it leads to duplicated work and, sometimes, confusing messages to the market. It is also unhelpful as an approach to



collaborative commissioning across the Council. It does allow for more sector specific detail, however it is anticipated that this can be monitored by the Commissioning Board to ensure relevant information is picked up through good market testing and broadcast via existing provider forums.

### 5.3 Option 3 - Minimum market development

The Council could opt to simply publish an annual commissioning plan and then include details as invitations to tender are published. This would involve minimal officer time, however the option has been rejected as it has been demonstrated nationally by the Institute of Public Care and the Institute for Government that alerting the market to medium term commissioning intentions and engaging on solutions tends to lead to better outcomes and better value.

## 6. Impacts and Implications

### Financial

- 6.1 Effective commissioning helps to ensure that the Council procures goods and services that meet identified needs at a price that represents good value for money. Systematic analysis of markets can generate opportunities to reduce costs and/or improve service quality. In addition, financial and other risks can be established, allowing mitigating actions to be planned and implemented.
- 6.2 Preferred option 1 is expected to improve commissioning performance and help to contribute to reduced and better targeted spend by the Council. The cost of developing the strategy will be contained within existing budgets.

### Legal

- 6.3 The Council is a best value authority under the Local Government Act 1999. The recommendation set out within this report, to create one cross-council strategy and one accompanying Market Positioning Strategy, appears to discharge the Council's best value duty, in that the Council is seeking to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 6.4 By seeking to commission, the Council is required to comply with the EU treaty principles of equality, transparency and non-discrimination for below threshold contracts and the Public Contracts Regulations 2015 for above threshold contracts.
- 6.5 Legal advice will be required as to the contractual provisions of agreements, in order to achieve the position set out in Market Strategy.

### Procurement

- 6.6 It will be challenging for commissioners to meet the prescribed requirements of the Contracts Regulations 2015 with regards to relevance and proportionality as all requirements need to be contract specific. Contract management is of paramount importance to ensure vfm year on year



and contract specifications need to be flexible to capture evolving services in a continually changing marketplace.

## 7. Appendices and Background Documents

Appendix letter	Title
A	Market Development Strategy 2016-2021

Background documents
The Public Service Markets Diagnostic Tool, The Institute for Government (IfG), 2015
Developing Public Service Markets, The Office of Fair Trading (OfT), 2013
Sutton Commissioning Framework, Sutton Council, 2015
Sutton Procurement Strategy, Sutton Council, 2015

Audit Trail		
Version	Final	Date: 30 March 2015
Consultation with other officers		
Finance	Yes	Phil Butlin
Legal	Yes	Susan Moussa
Procurement	Yes	Rosemary Allen

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