



DECOMMISSIONING GUIDANCE

“We aim to ensure that services don't cost more than they should, are delivered by those best placed to do the job, are delivering the right outcomes and support local jobs and economic growth. This means that, where there is strong evidence that services are not delivering the outcomes for our customers in the most efficient or effective way, we will no longer continue to deliver or contract for them in their current form. This is called ‘decommissioning’ and is an integral part of the **commissioning cycle** as well as being an important element of our transformation.”
‘Commissioning For The Future’ – Shropshire Council Commissioning Strategy 2014

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1. Purpose

This guidance is designed to aid commissioners, service managers, service providers and any other people involved in, and affected by, service decommissioning. It will assist with understanding of the decommissioning process and how, through careful and sensitive application of the process, it can lead to improved and more cost-effective services which benefit the ultimate end-user.

This guidance applies to decommissioning of facilities and services delivered by all types of organisations, including private sector and Voluntary & Community Sector, to ensure fairness, consistency and transparency of approach.

2. Introduction

Decommissioning is an essential element of the commissioning process. This document should be read in conjunction with the following documents as many of the principles apply across all these areas:

- [Shropshire Council Business Plan and Financial Strategy 2020/21 – 2024/25](#)
- [Shropshire Council Commissioning Strategy](#)
- Commissioning Intentions
- [Shropshire Compact](#)

In common with these other frameworks transparency of process, open decision-making and effective engagement with customers and stakeholders are key.

As needs change, technology develops, customers' expectations change and greater value for money is sought, it is inevitable that some services will become obsolete in their current form and that different services will be required in their place. In addition the pressure on the public sector to reduce costs means that there is an urgent and pressing need to consider alternative and innovative ways to make services available to those who need them.

Given this, it follows that effective decommissioning is key in helping to meet these requirements. Successful decommissioning can leave provider organisations, service users and communities feeling that they were appropriately engaged and fairly treated, which is an important consideration particularly where partnership working to develop alternative approaches is sought.

On the other hand, a poor decommissioning process can lead to unexpected consequences which may in the long run lead to additional costs elsewhere.

Decommissioning may have an impact on the ongoing viability of a particular provider or sector and therefore on the workforce. This may affect the future ability of the market to respond to commissioning requirements, so a well-planned and holistic approach is essential. This will include consideration and development of exit strategies at the point of **commissioning** services so that all parties are prepared for potential changes from the outset.

It is important to note that decommissioning as discussed here applies not only to contracts and grants but to internally provided services as well.

3. What is Decommissioning?

The National Audit Office (NAO) defines decommissioning as ‘stopping provision of a service or a significant part of a service in order to bring about an improvement to existing service provision.’ This has been determined through taking as a starting point that decommissioning involves a change in the provision of a service and / or an improvement to existing service provision.

This may mean stopping a service or a significant part of it. It can also include terminating or re-negotiating a contract or grant with an existing service provider, where this is driven by commissioning needs, which may include reduced budgets.

Existing provision may end to:

- make space for a new and improved service;
- enable innovation in service provision;
- provide better value for money, perhaps through more effective achievement of the desired outcomes or more efficient delivery; or
- better fit the level of provision to demand

Such ending of provision may result from a planned exit such as a time-limited contract or grant or in response to negative stakeholder feedback or service performance.

Decommissioning has two key stages:

- i. **Planning / Strategic Decision Making** – reviewing current provision and identifying the requirement for changes in the light of local priorities, legislation, economic need, demographics, service user need, performance information and stakeholder feedback.
- ii. **Operational Decommissioning** – developing the business case for change, detailed plans for contract termination and transition to new arrangements

Evaluation of risk forms an important part of each of these stages of decommissioning, as does an assessment of the impact of the proposed changes determined through an Equalities and Social Inclusion Impact Assessment (ESIIA) and potential impact on service users, other stakeholders and partners and the market place as a whole.

Decommissioning is not the same as making cuts to services. Cuts are usually about making savings on the costs of providing services whereas effective decommissioning seeks to mitigate the effects of funding reductions through reassessment of priorities, service redesign and / or better targeting of resources.

4. Principles for Successful Decommissioning

The NAO sets out the following nine principles for effective decommissioning:

- i. **Good communication**
Open, honest, regular and transparent engagement with service providers and users can help overcome any fear and mistrust that might arise between commissioners, providers and users.

- ii. **Understand needs and the provider market**
A good understanding of users' needs, the existing services that meet those needs and the wider provider market will help when considering options, risks, impacts and effects on users and providers and provide better value for money.
- iii. **Focus on users and the community**
A strong focus on users, not services, will ensure outcomes are met effectively and services are relevant in the long-term.
- iv. **Clear rationale**
Consensus on the reasons why service change is needed can ensure key individuals and stakeholders 'own' the process and outcomes and reduce mistrust from users and providers.
- v. **Understand impact**
A robust process of impact analyses that looks at longer term 'whole-life' impacts of services on users, providers and the wider community can strengthen the case for change and offer better value for money.
- vi. **Focus on value for money**
A strong focus on securing value for money which protects outcomes whilst improving productivity can ensure better use of public resources.
- vii. **Robust risk management**
Identifying risks to the decommissioning process and to all stakeholders involved can make the process easier, reduce any fear or anxiety and mitigate risks to value for money.
- viii. **Understand costs**
Having a clear understanding of what the current costs (and benefits/savings) of a service are and the potential future costs and benefits can help with assessing value for money.
- ix. **Good governance**
A clear decision making process and governance structure will allow all stakeholders to understand roles and responsibilities and will ensure a clear process for decommissioning.

5. Essential Skills for Commissioners

Given the complexity of commissioning and decommissioning it is important that commissioners are well-equipped to be able to undertake this process. The following skills in particular are required:

- 1. **Change Management Skills**
 - a. Be able to explain why change is needed
 - b. Provide good leadership and be able to make change happen
 - c. Be clear about the vision and outcomes
 - d. Communicate and engage simply, consistently and in a way that is appropriate to the audience
 - e. Empower people and organisations
 - f. Create 'quick wins' to foster a sense of urgency and direction
 - g. Determination
 - h. Make change stick
- 2. **Stakeholder Engagement Skills**
 - a. Be prepared to have difficult conversations
 - b. Admit uncertainty
 - c. Be prepared for the anger of service users, providers and stakeholders

- d. Communicate consistently and appropriately
- e. Be open and honest at all times

3. Good Commissioning Skills

- a. Strategic analysis
- b. Understanding of the provider market
- c. Understanding of the Voluntary Sector Compact and other local frameworks
- d. Financial awareness
- e. Knowledge of negotiating techniques
- f. Specifying services
- g. Contracting skills
- h. Political awareness
- i. Ability to involve service users and build partnerships with providers

6. Risk

It is important that commissioners are aware of the risks and the likely impacts of the planned decommissioning activity, and ensure that appropriate actions are taken to reduce the potential negative effects wherever possible. Identification and management of risk is most effective when stakeholders are engaged at an early stage so that any consequences of decommissioning, whether intended or unintended, can be identified and managed effectively.

The risks attached to any decommissioning project are not necessarily limited solely to the loss or change to the service(s) being decommissioned. There may be other impacts including increased demand on other providers or services which may be unable to cope, threat to the viability of the current provider which may affect other services it delivers, or loss of choice for users of services.

A risk matrix is a useful tool to help determine risks of decommissioning and to assess the relationship between the likelihood of a particular outcome and the impact of that outcome occurring. Appendix 2 gives an example of a risk matrix which shows those areas that commissioners need to give highest regard to when making decisions to decommission. For example, a risk that is very likely to happen and which would also have a major impact on a large number of people needs to have a clear and robust management plan. Conversely, something that is unlikely to happen and would have minimal impact anyway would require less detailed planning. The areas in between will need planning dependent on the relationship of likelihood to impact as detailed in Appendix 2.

7. The Key Stages of Decommissioning

As noted above throughout all stages of any decommissioning process it is essential that good communication is maintained between all parties involved. Clear, transparent and timely communications will avoid unnecessary costs and delays due to misunderstandings and lack of clarity over roles.

It is also worth noting here that it is important to be clear about timescales involved in any decommissioning process. Therefore commissioners need to have regard to the size and complexity of the task involved in each of the following stages of decommissioning so that all involved parties are clear from the outset when the key

stages are due to be completed. This will ensure that stakeholders have the opportunity to have a meaningful input to the process.

The Shropshire Compact sets out timescales and principles for consulting with the Voluntary & Community Sector and these should be adhered to.

1. **Planning / Strategic Decision-Making**

- a. **Equalities and Social Inclusion Impact Assessment:**
Any commissioning or decommissioning process must begin with an Equalities and Social Inclusion Impact Assessment (ESIIA) which can be developed as the process progresses. This will determine whether the proposed course of action has an adverse impact on any particular needs group and what steps can be taken to mitigate.
- b. **Needs:**
It is essential to understand the current and future needs for a service, how the existing service is being used and any apparent gaps. It is also important to understand changing policy (national and local) and to use the evidence base presented by the Joint Strategic Needs Assessment (JSNA).
- c. **Performance Information**
Data from the current contract can provide a wealth of information about the effectiveness and continuing relevance of a service. This can be in the form of performance indicators, outcomes data, contract compliance, customer feedback, complaints and compliments and service review outcomes. This information can then be cross-referenced to the needs data as above. It is important, however, to ensure that any personal or sensitive data is handled confidentially and in accordance with data protection legislation.
- d. **Financial Information:**
Includes total cost, cost per customer / outcome and may, where available, indicate savings to other partners. Also to be considered here are the costs of decommissioning and commissioning an alternative and other costs such as TUPE. It is also worth considering here whether alternative funding streams may be available to wholly or partly maintain the service outside of local authority funding.
- e. **Current Provision**
An understanding of the range of services being provided, who provides them, how and to whom. This may indicate over- or under-provision in the market or potential alternative providers.
- f. **Stakeholder Feedback**
It is essential to build consensus amongst stakeholders in order to prepare the case for change and so it is vital to identify who the stakeholders are, what their level of influence may be and what their level of interest may be. Stakeholders can be many and varied but are likely to include at least service users and their families / carers, providers and their staff / representatives, multi-agency partners, service managers, local members and local groups and agencies.

g. **External Influences**

This may include making the case for change due to changing national policy, legislation or case law, the economic situation, new technology (or obsolescence of old technology), failure of a key business partner, entry into the market of a significant competitor or other market-driven pressures such as personal budgets / private funders.

h. **Service Redesign / Market Development**

This will include where a group of services are subject to a review and redesign process to improve efficiency for example. Also, as in point f above, the market place itself may be a driver for change.

2. **Operational Decommissioning**

a. **Legal Considerations**

It is essential to check the legal position of the service under review before decommissioning work commences – this may relate to the provisions in the contract and / or a legal requirement to provide a service in a particular way. Linked to this, there will also need to be an investigation as to whether any clawback of funding may be incurred as a result of ending a service.

b. **Developing the Decommissioning Brief / Business Case**

At this point all the information gathered above is analysed and brought together in a case for making change. A Decommissioning Brief must be prepared which gains agreement for the case for decommissioning to be developed. Much of the initial information contained in the brief can be used in the preparation of a business case for decommissioning. A template for the Decommissioning Brief is attached at Appendix 3. Any business case must identify the need for change, the impact of doing so, and the improved outcomes expected as a result. The business case will identify the factors that need to be brought into transition and exit planning and may also include things such as identifying training or capacity building required by providers so that they can compete for new business which may result from decommissioning.

c. **Stakeholder Engagement**

Stakeholders will bring a lot of valuable information that can help with the development of the business case and in carrying out the practical aspects of decommissioning. As stated above, if stakeholders have been identified and involved throughout the process, then a consensus as to the best way forward is easier to achieve. One of the key stakeholders will be the provider or providers delivering potentially affected services and early notice is valuable in terms of the business planning of those organisations. It is worth mentioning here that where contracts or grants are time-limited commissioners should ensure that there is no automatic assumption on the part of providers that funding will continue so that appropriate planning can be undertaken.

d. **Impact Assessment**

Once all the above information has been gathered, analysed and formed into a plan commissioners, with the aid of stakeholders can assess the impact of the proposed changes.

e. **Service Transition**

- i. A number of options may arise from the decommissioning process to date, particularly where a sector-wide review has been undertaken. For individual services these may include:
 - No change
 - Remodelling or variation of the existing service with the current provider
 - Service cessation / contract end
 - Tendering / procurement exercise to secure a new service
- ii. Contractual notice at least must be given if a contract is to be terminated but it is better to give as long as possible to allow for effective planning.
- iii. An exit or transition plan needs to be agreed between the provider and the commissioner
- iv. Often a steering group to oversee the process is beneficial
- v. Plans for engaging with service users during this process need to be in place

f. **Customer Engagement**

It is likely, in many cases, that once a decision has been taken to change, end or close a service customers will feel upset or angry. It is important at this stage to be clear that the decision to decommission has now been taken following a rigorous process and taking into account a range of factors. Whilst engagement with stakeholders will have happened earlier in the decommissioning process, at this point it is important to continue to engage with people to consider options for alternative ways to, for example, use a building or source alternative solutions.

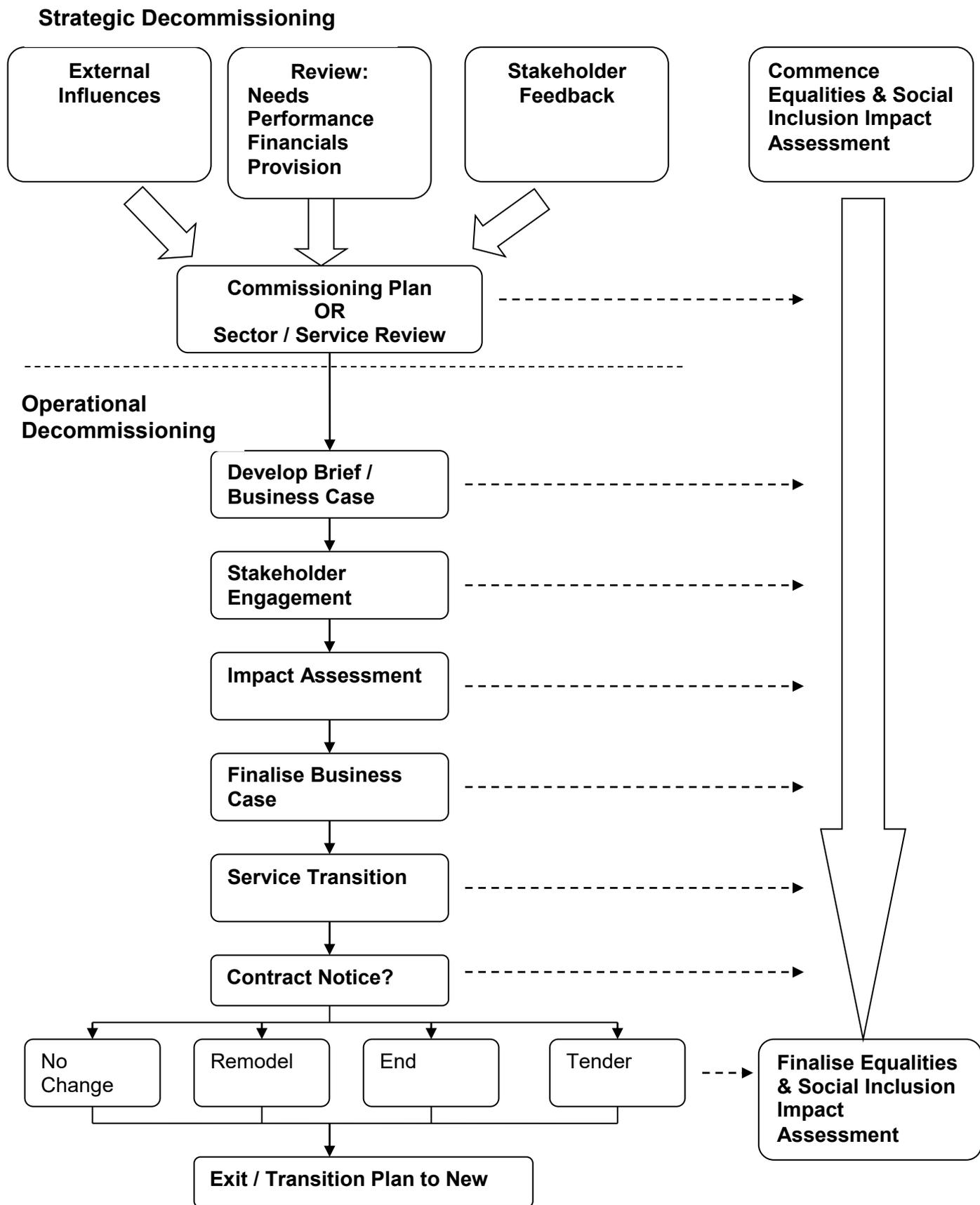
8. Review of the Decommissioning Process

It is important that each decommissioning project is reviewed to ensure that key learning points are captured from all stakeholders to influence future projects and to ensure that best practice is captured and lessons learnt.

The following elements are of particular importance to this review stage:

1. The impact on users of the decommissioned service(s) and whether this was intended or unintended. This will help with the planning of future projects to ensure that any 'unintended' effects are anticipated and planned for.
2. The impact on the local market including effects on individual providers, the availability of choice for service users, and the impact on the market of new providers.
3. A review of the decommissioning process itself including timescales and achievement (or otherwise) of initial aims.

APPENDIX 1 - Decommissioning Process Flowchart



APPENDIX 2 – Risk Assessment

Part 1 – Determining the likelihood and impact of a risk occurring

In order to adequately assess risks we need to first of all identify those potential risks related to the decommissioning project and then determine the likelihood of it happening and the potential impact should it occur. Both likelihood and impact for each risk are rated on a scale of 1 to 5 and then plotted on to a risk matrix. The combined effect of likelihood and risk determines the level of activity required to mitigate or reduce it as shown on the matrix below.

The following tables describe how likelihood and impact are assessed:

Likelihood	Score	Risk Likelihood Definition
Rare	1	It is unlikely that the event will occur
Possible	2	It is likely that this event will occur but not within the next year
Likely	3	There is a fair chance (50:50) that this event will occur within the next year
Almost Certain	4	The event will almost certainly occur within the next six months
Certain	5	The event has occurred or will almost certainly occur within the next three months

Impact	Score	Risk Impact Definition
Negligible	1	<ul style="list-style-type: none"> • Day to day operational problems • Budgetary issues that can be resolved within Service
Minor	2	<ul style="list-style-type: none"> • Manageable disruption to services • Noticeable internal impact, but the Service would remain on course to achieve priorities • Budgetary issues that can be resolved within Service Management Team • Localised reputational damage • Isolated complaints • Minor Injury to employees or those in the Council's care
Significant	3	<ul style="list-style-type: none"> • Significant loss, delay or interruption to services • Disruption to one critical Council Service for more than 48hrs • Non-delivery of corporate and service plan objectives • Significant stakeholder concern • Attracting short term media attention and potential for litigation/ prosecution from legislative or regulatory bodies • Long term regional damage to reputation • Budgetary issues that can be resolved at Directorate level. • Serious Injury to employees or those in the Council's care • Significant complaints

Major	4	<ul style="list-style-type: none"> • Widespread medium to long term impact on operational efficiency, performance and reputation. • Major disruption to Council's critical services for more than 48hrs (e.g. major ICT failure) • Breach of legal or contractual obligation attracting medium-term attention of legislative or regulatory bodies. • Adverse coverage in National Press/Front page news locally • Budgetary issues that can only be resolved by Section 151 Officer / Chief Executive / Members • Serious Injury to employees or those in the Council's care
Critical	5	<ul style="list-style-type: none"> • Potential to threaten the existence of a service/s • Death of employees or those in the Council's care • Inability to function effectively, Council-wide • Service delivery has to be taken over by Central Government • Front page news story in National Press • Serious breach of legal or contractual obligation resulting in National impact with rapid intervention of legislative or regulatory bodies. • Extensive adverse media interest. • Budgetary intervention at national level

Part 2 – The Risk Matrix

IMPACT	5	L	M	H	H	H
	4	L	M	M	H	H
	3	VL	L	M	M	H
	2	VL	VL	L	M	M
	1	VL	VL	VL	L	L
		1	2	3	4	5
		LIKELIHOOD				

Each identified risk is plotted on to the above matrix and the position determines the level and nature of the actions required. The following courses of action are provided as examples for how each risk may be approached:

VL – Very Low Risk Accept the risk as it is as it has very little impact or is unlikely to occur. Any risk falling into this area should attract only minimal effort and resources as any attempt to address the risk may end up being more costly than the impact.

L – Low Risk Again, this level of risk may be tolerated but a closer watch kept on this risk as the project develops and additional information feeds into risk assessment.

M – Medium Risk Action may be required here to treat the risk through reducing or minimising it. In the case of a decommissioning project courses of action may include further adjustments to timescales or additional work with the market to determine alternative provision. Stakeholder involvement is important here.

H – High Risk Consideration needs to be given as to whether the level of risk is such that the decommissioning project needs to be subject to full review or put on hold. The project may then be approached in a different way or, exceptionally, cancelled. However, such a course of action may give rise to other risks which themselves will need to be assessed before a final decision is taken.

Appendix 3 – Decommissioning Brief

Decommissioning Brief

Contributing Officers:	Name:	Sign Off Date:
Lead Officer:		
Lead Commissioner:		
Cabinet Portfolio Member:		

The 'Decommissioning Brief' will help support the following outcomes:-

- **Formalising proposals**
- **Providing consistency to proposals**

It also does not replace the need to follow the appropriate decision-making processes, which may include formal Cabinet approval. Further templates may be needed as the process is developed. The template should be signed by the appropriate officers and all decision making should be documented appropriately.

Why is decommissioning being considered?

- Describe the circumstances (eg end of contract, grant withdrawal, performance issues, etc)

What does the service currently do?

- Service description
- Describe who the service is for
- Approximate number of staff involved in delivering the service
- Outcomes it delivers

What financial and performance information is currently available?

- Performance information
- Needs assessment
- Financial information

What will be the impact of decommissioning?

- Service users
- Service providers (current provider and other providers)
- Stakeholder
- Risk assessment
- Legal advice
- Consultation impact & timescales

What are the proposed next steps?

- ESIA
- Consultation
- Decision making process
- Timescales & milestones
- Communications to stakeholders
- Further documentation & related work (e.g detailed needs assessments, soft-market testing, consultation)