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Date: 31 January 2014

Dear Member

SELECT COMMITTEE - COMMISSIONING - FRIDAY, 7 FEBRUARY 2014

I am now able to enclose, for consideration at next Friday, 7 February 2014 meeting of the Select Committee - Commissioning, the following report

Agenda No	Item
5	**12.00- noon - consideration of written evidence** **(Pages 3 - 14)**

(2) Action with Communities in Rural Kent - additional written evidence paper

Yours sincerely

Peter Sass
Head of Democratic Services

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Action *with* Communities *in* Rural Kent

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Action with Communities in Rural Kent Evidence to Kent County Council Procurement & Commissioning Select Committee, January 2014

Overview

This paper seeks to provide insight to the Kent County Council (KCC) Procurement and Commissioning Select Committee that might help the authority become as effective a commissioner of services in future as it is possible to be. The paper examines some issues and opportunities from the experience of one voluntary, community and social enterprise (VCSE) organisation which supports around 600 smaller VCSEs, SMEs and micro-businesses each year.

The paper is authored and supplied by Action with Communities in Rural Kent (ACRK), a rural development charity that has worked with KCC since 1923.

The paper suggests two principal recommendations:

- KCC utilises the VCSE sector in a research and development function: supporting innovation and entrepreneurialism to help improve quality of life for all in the county, accrue environmental benefits and grow the economy
- KCC does not treat commissioning of the VCSE in isolation; work contracted through commissioning often contributes to wider social good

Under these recommendations come a range of actions that KCC may wish to consider.

The paper also makes some assumptions:

- KCC does not operate as a single entity, but rather an agglomeration of business units.
- The VCSE is not the sole source of innovation within Kent; both the public and private sectors are also great sources of creativity and all three

sectors contain people with ideas who need the ability and confidence to be able to articulate these
- There will be an increased role for social entrepreneurship across Europe[1], and further rolling back of state institutions as deliverers of services. State institutions will remain important co-financers of social entrepreneurial mechanisms however- especially where they exist to help address market failure.

The paper is based on, and intended to augment, some focused evidence provided by the Chief Executive of Action with Communities in Rural Kent (ACRK) to the Select Committee at its hearings on 29th January 2014.

Action with Communities in Rural Kent

ACRK is a rural development charity, formed in 1923 as the Kent Rural Community Council. ACRK's ethos is that nobody should be disadvantaged because they live or work in a rural community. To this end ACRK provides information, guidance, training and networking opportunities to help enable rural communities to identify, articulate and address their own needs. The charity supports around 600 community-led projects a year – principally in the fields of community asset management, provision of affordable housing, community planning, access to services (including transport and broadband) and business support (helping retail businesses stay viable, assisting people in to work, setting up new social enterprises etc.)

In the first three quarters of 2013/14, ACRK helped create or sustain 176 jobs, supported (indirectly) a further 497, trained 306 people, assisted 116 small businesses and social enterprises with a combined turnover of almost £13 million, and worked to enable development of £12.1million worth of affordable housing across eight villages. Work was financed by over forty funders, with the largest ten being Avanta Ltd., Centrica plc (British Gas), CLAIE, Defra, Digital Outreach Ltd., European Commission, KCC, Renaisi, Southeastern Railway and Stockholm City Council.

ACRK is delivering three commissions from private sector organisations at the time of writing. These account for around 38% of anticipated turnover for 2013/14. KCC investment in ACRK accounts for around 13% of anticipated turnover. KCC is ACRK's second largest individual funder.

Answering questions set by Kent County Council

How are we (KCC) supporting the VCSE? How can the VCSE play a more important role in the provision of KCC services as we become a commissioning authority? What else might we do?

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[1] As set out in the Strasbourg Declaration of January 2014. Further information at http://ec.europa.eu/internal_market/social_business/index_en.htm

Kent County Council (KCC) could be construed, perhaps incorrectly, as supporting the Voluntary, Community and Social Enterprise (VCSE) sector in a disconnected, questionably-informed and financially inconsistent way. This can change if KCC utilises the VCSE in a research and development capacity, to help inform future policy formulation and subsequent service design.

- Suggestion of disconnection exists in there being little demonstrable evidence of the authority working with VCSE organisations coherently across KCC directorates. An ACRK example is in its work with KCC on support for village halls – covering economic development, communities and emergency planning agendas (see case study 1 below.)
- Evidence that suggests KCC being questionably informed includes it not picking up on good practice from other parts of the country that support VCSE and / or SME innovation. ACRK examples of this include operation of major rural and / or community regeneration programmes, and introduction of projects to help people remain independent in their own communities or reduce fuel poverty (see case study 2 below.)
- Evidence of supporting the VCSE in a financially inconsistent way is clear in the disparate approach to financing infrastructure across the county and, in ACRK's experience, working to budget parameters set initially in the early 1990s. While new resources for infrastructure functions have not been forthcoming, KCC has found £3million to invest in social enterprises via the Kent Community Foundation – this funding is welcome, but is not a panacea for addressing all areas of market failure or enabling innovation, and has come without adequate capacity building investment. Meanwhile other monies (perhaps worth a further £1million) have been made available to duplicate ACRK's work or pay for information that it possesses already. A list of examples is given in Case Study 3.

<u>Case Studies</u>

<u>Case Study 1: Disconnection</u>

ACRK operates a village halls support services across Kent and Medway, providing information, training, guidance and networking opportunities for the Trustees of all 400+ community-owned buildings. Hall management committees can join a body called the Kent Community Halls Committee, which itself is a formal sub-committee of ACRK's own Management Committee (i.e. its Board.)

ACRK's work on village halls brings it in to contact with KCC on a variety of fronts. Part of KCC's core grant agreement (from the Economic Development section of the authority) contributes to operating costs. Significant time is taken up providing technical support to applicants and KCC staff involved in operation of the Community & Village Halls Grant Fund (operated by ACRK on behalf of KCC until around ten years ago, but managed 'in house' by KCC now via the Customer & Communities directorate.) Additional activity has taken place at various points over the past decade with KCC's Emergency Planning, Libraries and Environmental sections, although usually on an incremental basis and certainly not with any additional funding attached.

KCC funding for ACRK village halls work came close to disappearing in 2013 – in part as it was not deemed to be an economic development activity. This exposed what may be seen as a 'division by direction' modus operandi; one department investing in ACRK but its halls activity supporting work of various other KCC sections (many of which deliver services in or from halls.)

ACRK has looked to diversify its income base for the village halls service: this has included attracting income from two insurance companies, one charitable trust (on a one-off basis, although joint-training is now run in partnership with that trust's parent company – a law firm), and an environmental charity. An exploration of investment from one Borough Council has also commenced, supported by some income for pilot activity. Where possible, surplus from commissioned and contracted work, on other agendas, is used also.

Good practice from other parts of the country has been harder to transfer – even when operating in an adjacent county such as Sussex. In Sussex co-financing between County and District authorities, as well as halls themselves, has come into being in recent years so as to help provide a basic guidance and support service to keep halls operating safely and legally. Hampshire County Council provides a direct grant for halls work alone to ACRK's equivalents there, which is of greater financial value than KCC's entire core grant allocation to ACRK[2].

Many of Kent's halls are places in which KCC delivers some form of public service – supporting education, health, social care, emergency planning and other agendas. Those halls operate safely and legally in part because ACRK supports them; KCC does not fund ACRK adequately to do this. As such, ACRK's work with KCC on halls – and particularly that cutting across three or four departments – is now co-funded from at least five different sources (excluding the halls themselves that become members of ACRK) rather than any strategic input from the County Council itself.

ACRK is thus in the position of dealing with halls in a strategic and cross-departmental way with KCC whilst the authority itself does not. This is not necessarily a 'wrong' position for KCC, but it does mean that it came close to taking a decision in 2013 that could have undermined all manner of other activities it undertakes on a day-to-day basis from those venues – simply by viewing its investment in a service from one perspective.

Case Study 2: Questionably informed?

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[2] This came about because halls support work was not included in the Hampshire County Council core grant to ACRK's equivalent: that grant (£306,000 in 2013) is more than eight times the size of KCCs core grant to ACRK.. An additional £50,000 is provided by Hampshire County Council for village halls work under Community Action Hants.

ACRK often seeks investment to pilot new ways of alleviating disadvantage across rural Kent. Being a small organisation, ACRK does not have large reserves; those it has have been used to invest in renovating a building for sub-letting purposes, and bankrolling 'payment by results' agreements. As such, innovation often has to be backed with new money.

Two examples of projects that ACRK has tried to introduce, based on good practice in other parts of the country, are Village Agents and Multi-Community Fuel (and other goods) Buying.

Village Agents is a scheme where a network of individuals, often only working around 10 hours a week, are the 'face' of key older / vulnerable people's services in a community. The scheme started in Gloucestershire, and now operates in counties such as Staffordshire, Essex, and Wiltshire. Transposing results from Gloucestershire suggests that over £7million might have been saved in bed nights alone if this scheme had operated in Kent since 2008[3] (this is on top of the annual adult social care budget savings achieved for the County Council in Gloucestershire.) County Councils are normal co-financiers of Village Agents schemes; there is no project operating currently in Kent, although KCC and ACRK are involved in a Big Lottery Fund bid that could see a small pilot operate in Thanet from late 2014.

21 of ACRK's 37 equivalents around England have established multi-village fuel (and indeed other goods, such as rock salt) buying consortia in the past three years. In some cases (e.g. Sussex), County Councils invested a modest sum (sometimes just £5 - £10,000) to help start these consortia. KCC was approached for similar investment but more interested in an individual village application process for support – which tends to have less buying power. ACRK did find another VCSE organisation interested in investing, but they decided not to provide money as the return on investment would not generate sufficient surpluses for them. ACRK had planned for a lower surplus, over a three-year period, than the other VCSE organisation wished for.

ACRK has also played a key role in attracting external investment to Kent – sometimes to deliver specific funding or development / regeneration programmes that end up being managed by KCC (occasionally with no associated financial benefit for ACRK.) In various counties (e.g. Bedfordshire, Cornwall, Cumbria, Durham, Sussex, Wiltshire etc.), ACRK's equivalents have been used to 'front' regeneration programmes that they have played a key part in establishing – partially as delivery is cheaper (e.g. they do not pay a local government pension) but also, sometimes, as they do not come with the

[3] Assuming operation in all 313 civil parishes, and with the same effectiveness as the Gloucestershire scheme – based on figures set out in Office for Disability Issues (2007). *Better Outcomes, Lower Costs: Implications for Health and Social Care Budgets of investment in Housing Adaptations, Improvements and Equipment*: A review of the evidence. Heywood F and Turner L. These estimate savings of more than £20,000 per client.

'baggage' of being a highways authority, or tax-raising body (to name but two examples.) In Surrey, ACRK's equivalent has attracted major European investment that it cannot afford to bankroll; Surrey County Council has stepped in to provide an interest free loan (this is also the model used in Bedfordshire to enable delivery of the Greensand Ridge LEADER programme) to enable a particular programme to run. In Kent this does not currently happen, but might be considered for the future.

Two themes emerge here: firstly that KCC is not necessarily the place to go to seek support for innovation, and secondly that it often decides not to support Kent-based VCSE organisations working to attract external funding (but is instead willing to run and manage programmes that VCSE organisations work to develop itself.) **A worse-case scenario is that KCC (corporately) is simply unaware of practice beyond its own boundaries, or unwilling to import working models, that might improve quality of life, bring greater efficiency with regard to investment of taxpayers' money and provide evidence to inform future intelligent commissioning**.

Case Study 3: Inconsistent funding?

A list of figures suggestive of inconsistent approaches to funding infrastructure includes:

- ACRK core grant from KCC = £37,000 per annum (this is 49% of national average, whereas rural Kent has 155% of average rural population, 113% of average rural land area and 146% of average rural household numbers experiencing multiple disadvantage[4])
- CVS core grants from KCC range between £0 and in excess of £100,000 (for territories smaller than ACRK covers)
- ACRK total income from KCC = £79,000 in 2013/14 (this is 27% of national average, reflective of the types of services and commissions that ACRK's equivalents are viewed as able to undertake)
- KCC investment in ACRK per head of rural population: £0.19 (23% of national average figure, and 5% the level of the top-investing County based on 2012 figures)
- KCC cost per job created or sustained through ACRK 2013/14: £282 (this is only 17% of the cost for the same result through Marsh Million, by way of example…but also a crude figure not taking into account various capacity building and match-funding / leverage levels.)
- Reputed size of tender on community asset mapping for information, much of which ACRK holds already: £80,000 (at a time when KCC informs ACRK there is no money available to increase investment in its work.)

A long standing issue that ACRK has is that the core grant it receives presently has varied very little in amount since 1992; in other words the context for KCC

[4] All figures calculated using Defra-sourced data and charity commission returns from each Rural Community Council – i.e. ACRK's equivalents across England.

support to ACRK and rural community-led regeneration is more than two decades out of date. The funding and indeed political landscape has changed substantially in the past twenty-two years; KCC investment levels have not however and this has had an impact on the type of work ACRK has been able to do that might inform future intelligent commissioning.

It may be seeking the impossible to redress the disparities in funding apparent above; these come from the perspective of one VCSE organisation whereas decisions relating to the figures given are taken in various parts of KCC (or other County Councils where rural communities or the benefits of utilising the VCSE sector may be of greater priority.) All these figures indicate is that KCC investment in VCSE infrastructure tends to be inconsistent and, in certain arenas, either not benchmarked against what occurs elsewhere in the country or other regeneration / economic growth activity.

A solution may be to conduct a review of infrastructure funding – and look beyond general infrastructure into arenas such as rural, funding advice, legacy models (e.g. Community Foundations) too **– benchmark against other counties and introduce a degree of parity with transparent and fair formulae**. Solid infrastructure funding enables those VCSE organisations to foster innovation, create and / or transfer best practice and be in a position to help inform design future commissions, rather than simply react to immediate concerns.

It is accepted that KCC may wish to retain a laissez-faire approach to supporting / not-supporting VCSE infrastructure

What are the implications of subcontracting? What are the learning points about large suppliers using SMEs / VCSs? What might we do to support large private suppliers and VCS sector working together?

The implications of subcontracting are numerous. Positives for Kent County Council (KCC) may include being able to draw upon expertise in particular fields, investing in VCSEs and SMEs that can attract match-funding not available to the public sector or even reduce costs by not paying a public sector pension.

The main learning points that ACRK would wish to highlight concern the financial risks associated with subcontracted work through major private sector organisations – especially where contracts are only offered on a 'performance related' basis. ACRK is operating three such projects at the time of writing, two of which are tied to private sector companies' ability to deliver on HM Government targets and use is being made of ACRK to access 'hard to reach' groups, communities and individuals. One of these contracts is ACRK's largest source of income (around 30% for 2013/14), but also required six months of start-up costs to be incurred that will have taken over two years to recoup.

An organisation such as ACRK would seek to generate a surplus through such sub-contracted work, so as to subsidise areas of activity where its work is not funded fully (e.g. enabling of affordable housing in rural areas, technical guidance for safe and legal operation of village halls, etc.)

This indicates that, from a VCSE perspective, commissioning is not always a matter that can be considered in isolation; the work commissioned is often contributing to a 'greater public good.' There is a risk that the greater public good can remain undelivered, or be reduced, if a major commission does not bring about necessary (and timely) business benefits for the VCSE organisation delivering commissioned activity.

One idea that might be considered is either to help VCSEs bankroll such activity (e.g. via an interest-free loan), or act as a financial guarantor so that a private sector organisation has confidence that a particular subcontract can be delivered.

Interest free loans have been supplied by County Councils to help ACRK's equivalents in counties such as Bedfordshire and Surrey to deliver large-scale EU-financed regeneration schemes (LEADER in the former, ESF in the latter – which is underpinning current delivery by ACRK in Kent.) In counties such as Cornwall, Wiltshire and Cumbria different financial relationships have been put in place whereby ACRK's equivalents operate such contracts (at lesser cost to the taxpayer) but County Councils act as accountable bodies.

Why is re-commissioning / de-commissioning important? Are the processes clear?

ACRK considers re-commissioning and de-commissioning to be very important for a range of reasons. Processes for each are usually clear, but there can be difficulties when working in a multi-agency partnership arena; this is something that ACRK wishes to bring to the attention of KCC.

Re-commissioning is important as a management tool. Any organisation using public funds will wish to ensure that best use of investment is being made. A re-commission can be beneficial for a contracted organisation as it demonstrates continued faith in its ability to deliver, and this can be used to attract additional investment from other sources (or for other work.) Again, this demonstrates that commissioning from the VCSE cannot be conducted in isolation; an understanding of the wider VCSE operational context is required.

In certain fields of work re-commissioning, provided that appropriate timescales are in place, also enables the retention of particular skills, knowledge and other resources. Such retention can ensure continued – or even improved – service delivery.

De-commissioning is also an important management tool, and can be used to try and secure better use of public funds for KCC. It may be that a particular service is no longer needed, or that performance issues are perceived to be impacting negatively on delivery.

ACRK's experiences of commissioned work through KCC is generally positive. Commissioning processes for sub-contracting have usually been very straightforward and transparent.

Commissioning and de-commissioning can become difficult in a multi-agency partnership scenario. ACRK is involved in a process at the time of writing where a partnership it called together (and initially attracted the funding to operate) is reviewing whether or not ACRK should continue as the managing body. Various contract law, property and employment issues are connected to this process and so the situation is somewhat complex. At the core of the issue is a multi-agency partnership operating to an implied contract; hence little is clear.

The partnership in question has overseen some great success – including several national awards and greater revenue generated for one of the funders – but questions have arisen over the quality of management since late 2013 and KCC has, on behalf of the partnership, spoken with potential alternative providers. Much time and effort is being invested by ACRK to try and keep this particular workstream, with the potential that it could be lost by April 2014 (n.b. this would be to the financial detriment of ACRK and, as indicated in other evidence papers, this is a matter that would have knock-on effects for other areas of ACRK work.)

A solution to this situation is to ensure that all multi-agency partnerships, or other joint-commissioning structures, are bound by formal agreements setting out clear roles and responsibilities.

Conclusions

A number of conclusions are drawn by ACRK from the above. Principal among these are:

- KCC is a large organisation, working across a diverse set of agendas. Its priorities are often different to those of specific VCSE organisations (or their members) and so it is difficult to address the needs of these in a strategic way.
- For the rural VCSE KCC is not a natural 'go to' place to find support for innovation or transfer good practice from elsewhere.
- Traded activity / social entrepreneurship often contributes indirectly to addressing of other agendas (sometimes core business) pursued by VCSE organisations. Commissioning should not be undertaken without understanding wider VCSE operational contexts
- Consider providing appropriate financial mechanisms (e.g. interest free loans, guarantor functions etc.) to help enable VCSE organisations that require assistance in managing externally attracted funding to bring innovation and good practice to Kent.

Recommendations

ACRK is happy to offer some suggested recommendations, for consideration by the Select Committee. These are:

- RECOMMENDATION 1: KCC utilises the VCSE sector in a research and development function: supporting innovation and entrepreneurialism to help improve quality of life for all in the county, accrue environmental benefits and grow the economy

To achieve this, KCC could:

- Review present VCSE infrastructure funding on a 'whole KCC' basis – even if new decisions on funding rest with individual KCC directorates
- As part of the review, benchmark VCSE infrastructure funding, leverage (for KCC), historic variations relating to changing financial landscapes an inflation, and achievements against other counties
- As a result of any review, allocate some budget to enabling VCSE infrastructure organisations to foster and report on innovation
- Consider providing appropriate financial mechanisms (e.g. interest free loans, guarantor functions etc.) to help enable VCSE organisations that require assistance in managing externally attracted funding to bring innovation and good practice to Kent.

- RECOMMENDATION 2: KCC does not treat commissioning of the VCSE in isolation; work contracted through commissioning often contributes to wider social good

To achieve this KCC could:

- Commission a study to examine what additional public goods are supported, albeit indirectly, by any surplus generated by VCSE organisations delivering services or agreements for KCC under existing procurement or commissions
- As part of this study and surpluses are not being generated by VCSE organisations, examine why. Establish if VCSE organisations are having to subsidise KCC commissioned work. To what extent are charitable funds being used in place of public money?

Further information

For further information contained in this paper please contact Action with Communities in Rural Kent, The Old Granary, Penstock Hal Farm, Canterbury Road, Brabourne, Kent TN25 5DS. Telephone 01303-813790. Website www.ruralkent.org.uk E-mail info@ruralkent.org.uk

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