



Summons to and
Agenda for the
Annual Meeting on
**Thursday, 15th May,
2014**
at **10.00 am**



DEMOCRATIC SERVICES
SESSIONS HOUSE
MAIDSTONE

Tuesday, 6 May 2014

To: All Members of the County Council

Please attend the Annual meeting of the County Council in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 15 May 2014 at **10.00 am** to deal with the following business. **The meeting is scheduled to end by 4.30 pm.**

Webcasting Notice

Please note: this meeting may be filmed for live or subsequent broadcast via the Council's internet site – at the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed.

By entering the meeting room you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes. If you do not wish to have your image captured then you should make the Clerk of the meeting aware.

A G E N D A

1. Presentation of the Kent Invicta Award to Miss Lizzy Yarnold
2. Election of Chairman
3. Election of Vice Chairman
4. Apologies for Absence
5. Declarations of Disclosable Pecuniary Interests or Other Significant Interests
6. Minutes of the meeting held on 27 March 2014 and, if in order, to **(Pages 5 - 12)** be approved as a correct record
7. Chairman's Announcements
8. Questions
9. Report by Leader of the Council (Oral)

10. LGA Peer Challenge - Feedback and KCC's response **(Pages 13 - 42)**
11. Facing the Challenge: Closing down Bold Steps for Kent **(Pages 43 - 68)**
12. Facing the Challenge: Phase 1 Service Review and Market Engagement Outturn Report **(Pages 69 - 82)**
13. Select Committee: Commissioning **(Pages 83 - 180)**
14. Facing the Challenge: Towards a Strategic Commissioning Authority **(Pages 181 - 202)**
15. Revision to the Joint Accountability Protocol for the Director of Children's Services and the Lead Member for Children's Services **(Pages 203 - 216)**
16. Members' Allowances Scheme - 2014/15 **(Pages 217 - 220)**
17. Superannuation Fund Update **(Pages 221 - 226)**



Peter Sass
Head of Democratic Services
01622 694002

KENT COUNTY COUNCIL

MINUTES of a meeting of the Kent County Council held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 27 March 2014.

PRESENT:

Mr E E C Hotson (Chairman)
Mr P J Homewood (Vice-Chairman)

Mrs A D Allen, Mr M J Angell, Mr D Baker, Mr M Baldock, Mr M A C Balfour, Mr R H Bird, Mr H Birkby, Mr N J Bond, Mr A H T Bowles, Mr D L Brazier, Mrs P Brivio, Mr R E Brookbank, Mr L Burgess, Mr C W Caller, Miss S J Carey, Mr P B Carter, CBE, Mr N J D Chard, Mr I S Chittenden, Mr B E Clark, Mrs P T Cole, Mr G Cooke, Mr G Cowan, Mrs M E Crabtree, Ms C J Cribbon, Mr A D Crowther, Mrs V J Dagger, Mr D S Daley, Mr M C Dance, Mr J A Davies, Mrs T Dean, Dr M R Eddy, Mr J Elenor, Mrs M Elenor, Mr T Gates, Mr G K Gibbens, Mr R W Gough, Mr P M Harman, Ms A Harrison, Mr M Heale, Mr P M Hill, OBE, Mr C P D Hoare, Mrs S V Hohler, Mr S Holden, Mrs S Howes, Mr A J King, MBE, Mr J A Kite, MBE, Mr S J G Koowaree, Mr R A Latchford, OBE, Mr R L H Long, TD, Mr G Lymer, Mr B E MacDowall, Mr T A Maddison, Mr S C Manion, Mr R A Marsh, Mr F McKenna, Mr P J Oakford, Mr J M Ozog, Mr R J Parry, Mr C R Pearman, Mr L B Ridings, MBE, Mrs E D Rowbotham, Mr J E Scholes, Mr W Scobie, Mr T L Shonk, Mr C Simkins, Mr J D Simmonds, MBE, Mr C P Smith, Mr D Smyth, Mrs P A V Stockell, Mr B J Sweetland, Mr A Terry, Mr N S Thandi, Mr R Truelove, Mr M J Vye, Mr J N Wedgbury, Mrs J Whittle, Mr M E Whybrow, Mr M A Wickham and Mrs Z Wiltshire

IN ATTENDANCE: Geoff Wild (Director of Governance and Law) and Peter Sass (Head of Democratic Services)

UNRESTRICTED ITEMS

63. Apologies for Absence

The Director of Governance and Law reported apologies for absence from the following Members:

Mr Mike Harrison
Mr Bob Neaves
Mr Michael Northey

64. Declarations of Disclosable Pecuniary Interests or Other Significant Interests

Mr Bond, Mrs Brivio, Mr Caller, Mr Maddison and Mrs Whittle all declared an Other Significant Interest in Item 11 – Localism Act: openness and accountability in local pay as they all had relatives who work for Kent County Council. The Chairman reminded these Members that under the County Council's Code of Conduct, they were required to leave the Chamber during consideration of Item 11 and not participate in the debate or vote on the recommendation contained in the report.

65. Minutes of the meeting held on 13 February 2014 and, if in order, to be approved as a correct record

RESOLVED: that the Minutes of the meeting held on 13 February 2014 are correctly recorded and that they be signed by the Chairman.

66. Chairman's Announcements

(a) Partnership Achievement of the Year Award

(1) The Chairman informed Members that Mrs Jenny Whittle had won the Partnership Achievement of the Year award in the 2014 Councillor Achievement Awards.

(2) The Partnership Award is for someone who had made significant personal commitment and drive to make working in partnership an integral part of how the council delivered outcomes locally, and shown improvements in service delivery, efficiency savings and delivery of outcomes as a result of the partnership working that this councillor had been involved with.

(3) Mrs Whittle was nominated for her work with Coram to improve the adoption service in the county, moving to a cross-sector partnership model.

(4) On behalf of the County Council, the Chairman offered his congratulations to Mrs Whittle.

(b) FareShare Kent

(5) FareShare was a national UK charity supporting communities to relieve food poverty and it was at the centre of two of the most urgent issues that face the UK: food poverty and food waste.

(6) FareShare Kent had been established as a Community Interest Company, wholly owned by the Children and Families Ltd charity. FareShare would establish a network of Community Food Members able to utilise the surplus food available to their benefit, in return paying a reasonable administration fee that helped build a sustainable business into the future. FareShare Kent would also develop employment training programmes to help its mainly volunteer workforce develop valuable skills and experience to enable them to move more easily into local full-time employment.

(7) The Chairman had been asked by Miss Harrison, the local Member for Sheerness, to present a cheque for £28,055 to Alan Bayford, from Fareshare Kent on behalf of Miss Harrison and 44 other Members of the Council who had contributed to this amount from their Member Grants.

(8) Mr Bayford spoke briefly to offer his sincere thanks.

(c) Winter Olympics and Paralympics

(9) The Chairman informed Members that Kent had had one competitor in the Sochi Winter Olympics, Lizzy Yarnold, from Sevenoaks, who had won Gold in the Skeleton event. Group Leaders had unanimously agreed that the Kent Invicta Award

should be presented to Lizzy Yarnold and along with it a cheque for £5,000 for the charity of her choice. The Chairman stated that he and officers had been trying to arrange it so that the award could be presented to Lizzy Yarnold at this meeting but this had not been possible. He was adamant that, whenever the presentation did occur, Members would be involved.

(10) Paralympics GB had nominated four individuals to run with the Paralympic Torch in Russia ahead of the Paralympics, and one of those four was from Kent. 20 year old student Andrew Norman was a School Ambassador and student at Valence School in Kent who regularly contributed to many areas of school sport and activities, wider community events, regional competitions and cultural performances.

(11) Kent also had two competitors in the Sochi Winter Paralympic Games. One, Millie Knight, the 15 year old from Canterbury who carried the Flag at the Opening Ceremony was Team GB's youngest ever competitor in a winter Games. Millie would be one of the Baton Bearers of the Queen's Baton Relay in June. Millie was a visually impaired skier and KCC provided grant support to her in the run up to the Paralympics (£250).

(12) The other Kent athlete at the Paralympics was Charlotte Evans (technically, Medway), who won Gold (Britain's first ever Gold at a Winter Paralympics) as the sighted guide to Kelly Gallagher (a visually impaired skier).

(13) On behalf of the County Council, the Chairman offered his sincere congratulations to all those competitors and their supporters in the Winter Olympic and Paralympic Games.

(d) Flooding

(14) The Chairman announced that he had received a letter from the Mayor and Leader of Carlisle City Council expressing their heartfelt commiserations to the Council and to the residents of Kent on the recent flooding in the county.

(15) Having been faced with devastating floods themselves in 2005 the Council had sympathy with what has been experienced and the not considerable clean-up operations that have occurred and were still ongoing.

(e) Petition

(16) The Chairman stated that he had taken receipt of a petition from the Chairman of Langley Parish Council. The Parish Council had been campaigning for some time to get a reduction in the speed limit along the A274 Sutton Road in Langley, from the beginning of the parish at Langley South to Five Wents Crossroads. The Chairman then formally presented the petition to Mr Brazier, Cabinet Member for Environment & Transport, for investigation and response.

(f) "Time to Change" Pledge

(17) Time to Change was a national anti-stigma campaign run by the leading mental health charities, Mind and Rethink. Time to Change aimed to improve public attitudes towards people with mental health problems. On the 6 February 2014 Graham Gibbens, on behalf of KCC, signed the Time to Change organisational

pledge. The pledge was a public statement of aspiration where an organisation wants to tackle mental health stigma and discrimination. This was a commitment that KCC would be taking serious action with and it was hoped would reduce mental health discrimination across the County.

(g) Karen Mannering

(18) Karen Mannering in Democratic Services was due to retire from KCC on Friday 28 March having joined the County Council in the summer of 1969, some 44 years ago. The Chairman state that he was sure all Members would agree that this was a tremendous lifetime of commitment to public service and this County Council. On behalf of all Members, the Chairman wished Karen a long, happy, healthy and thoroughly well-deserved retirement and gave his sincere thanks and appreciation for all her hard work on Members' behalf.

67. Questions

Under Procedure Rule 1.17 (4) 6 questions were asked and replies given.

68. Report by Leader of the Council (Oral)

(1) Mr Carter began his Leader's report by stating that it contained mainly positive news but, as Ofsted would say, a few areas of concern. Starting with the positives he stated that he was hugely grateful to everybody who had been involved in the recent LGA Peer Review. Opposition leaders had been very much involved in the review and had been at the feedback session and in summary the LGA were enormously impressed with everything they had seen and heard.

(2) He stated that there was also an enormous positive in the progress and direction of travel in 'Facing the Challenge' with, pleasingly, a culture of openness and honesty from all members and staff interviewed but there would be more on Facing the Challenge later in morning.

(3) He had been delighted to attend the Health and Wellbeing Board the previous evening to collectively sign-off with the lead clinicians and accountable officers from the seven CCGs in Kent their better care and commissioning plans, which would be submitted to the Department for Health over the coming few days.

(4) The plans set out by the CCGs proposed to deliver:

- 7 day a week access to GP teams
- 24/7 access to emergency primary and community nursing and social care support
- Dedicated neighbourhood/community teams directed by GPs to support their patients with more Health visitors, District Nurses, Physiotherapists, social care support and specialist mental health practitioners
- Teams that will help and support particularly the elderly, vulnerable, and sick in their own homes as far as is possible
- Dedicated specialist teams that have intimate knowledge and understanding of their patients and bring humanity and personal care back into primary and community health.

(5) The Leader stated that the previous day the executive of the South East Local Enterprise Partnership (LEP) had signed off the Kent, Essex and East Sussex 'Strategic Economic Plan', which most importantly contained the Kent and Medway chapter, which set out the economic growth plans for the region over the next six years. The Plan had to be with government by Monday in the hope and expectation that significant money would flow from them as they delivered their promise for a single pot growth allocation covering this period, some £70million to £80million per year anticipated with much of this money earmarked for transport schemes (60%) as well as support for housing and commercial growth (40%). This announcement was expected before the summer recess. Finally, in relation to the LEP, the Leader stated that he was pleased to announce that David Godfrey had been unanimously appointed as the new director to head up the Partnership.

(6) Continuing on the economic development front, the Leader stated that he had been pleased to receive the pre-budgetary announcement of a £200m support package for Ebbsfleet, Eastern Quarry, and the Swanscombe peninsular to accelerate progress in the growth agenda in the Thames Gateway, as well as the establishment of an urban development corporation, the details of which were eagerly anticipated.

(7) With regard to East Kent, the Leader stated that he was sure Members had been saddened by the announcement of the potential closure of Manston airport. For many, many, years KCC had helped and supported Manston airport and would continue to support Sir Roger Gale, MP, who was working closely with Mark Dance and KCC's Economic Development team, to help and support in any way possible.

(8) Turning to areas of concern the Leader stated that it continued to be a great area of concern that as yet there had been no reasonable explanation from the Department for Education as to why KCC was £30m short on the basic need school expansion programme for 2014 to 2017. Likewise he was concerned that the recent consultation on fairer school revenue funding did nothing to address the poor Age Weighted Pupil (AWP) allocation in Kent, stating that where other similar authorities got increases, Kent got nothing.

(9) With regard to asylum the Leader stated that he and Andrew Ireland had had a very positive meeting with the new Home Office, Minister James Brokenshire, and he was hopeful that the Council would shortly get adjustments to the grant regime that would effectively remove the financial burden on Council Tax payers, and he hoped that there might be an offer on the historic debt owed as well.

(10) Finally, he stated that he was grateful that the government had granted Kent County Council an additional £8.6million for emergency road repairs following the exceptionally wet winter, with the hope that the Bellwin Scheme might deliver further help and support.

(11) Mr Latchford, Mr Cowan, Mrs Dean and Mr Whybrow all responded to the Leader's report.

(12) Mr Carter acknowledged and responded to the opposition group leaders' comments and the Leader's report was noted.

69. Facing the Challenge: Progress to Date and Phase 2

- (1) Mr Carter moved, Mr Simmonds seconded that the Council should note:
- (1) The progress to date on Phase 1 of Facing the Challenge;
 - (2) That the outturn of all Phase 1 Market Engagement and Service Reviews will be reported to County Council at its meeting in May 2014;
 - (3) The lessons learned as part of Phase 1 transformation;
 - (4) The need to bring additional resources into the organisation to support Phase 2;
 - (5) The proposal to close Bold Steps for Kent as the Medium Term Plan [strategic statement] for KCC;
 - (6) The development of a new strategic commissioning plan [strategic statement] for KCC to be developed as part of Phase 2 transformation; and
 - (7) The services set out in paragraph 5.4 which will form the basis of Phase 2 Market Engagement and Service Reviews.
- (2) RESOLVED that the Council note the recommendations as set out in paragraphs (1) (1) to (7) above.

70. Transformation - Cabinet Committees Reform

- (1) Mr Carter moved, Mr Simmonds seconded that the Council note the changes made to Cabinet Committees to be introduced on 1 April 2014 as set out in the report.
- (2) RESOLVED that the changes to the Cabinet Committee structure be noted.

71. Select Committee: Maximising the Benefits from Kent's European Relationship

- (1) Mr Dance moved, Mr Holden seconded that the Council support the following recommendations:
1. That the Select Committee be thanked for its work and for producing a relevant and balanced document;
 2. That the witnesses and others who provided evidence and made valuable contributions to the Select Committee be thanked; and
 3. That Council's comments on the report and its recommendations were welcomed.
- (2) Following a debate the Chairman put the recommendations to the vote when the voting was as follows:

For (65)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr R Bird, Mr A Bowles, Mr D Brazier, Mrs P Brivio, Mr R Brookbank, Mr C Caller, Miss S Carey, Mr P Carter, Mr N Chard, Mr I Chittenden, Mr B Clark, Mrs P Cole, Mr G Cooke, Mr G Cowan, Mrs M Crabtree, Ms J Cribbon, Mrs V Dagger, Mr D Daley, Mr M Dance, Mr J Davies, Mrs T Dean, Dr M Eddy, Mr T Gates, Mr G Gibbens, Mr R Gough, Mr P Harman, Ms A Harrison, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Ms S Howes, Mr A King, Mr J Kite, Mr G Koowaree, Mr R Long, Mr G Lymer, Mr T Maddison, Mr S Manion, Mr A Marsh, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mrs E Rowbotham, Mr J Scholes, Mr W Scobie, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mr D Smyth, Mrs P Stockell, Mr B Sweetland, Mr N Thandi, Mr R Truelove, Mr M Vye, Mr J Wedgbury, Mrs J Whittle, Mr M Whybrow, Mr A Wickham

Abstain (11)

Mr D Baker, Mr M Baldock, Mr H Birkby, Mr L Burgess, Mr A Crowther, Mr J Elenor, Mrs M Elenor, Mr C Hoare, Mr F McKenna, Mr R Latchford, Mrs Z Wiltshire

Against (5)

Mr N Bond, Mr M Heale, Mr B MacDowall, Mr T Shonk, Mr A Terry

Carried

(3) RESOLVED that the recommendations be endorsed.

72. Initial response to the Select Committee Report, 'Maximising the Benefits of Kent's European Relationship' - February 2014

(1) Mr Dance moved, Mr Holden seconded that the Council:

- (a) note and discuss the Directorate's initial response to the recommendations of the Select Committee Report on Kent's European Relationships and the actions it proposes to take; and
- (b) that a further paper, including progress in implementing the Select Committee's recommendations, be provided to the County Council in three months' time.

(2) RESOLVED that the recommendations be agreed.

73. Localism Act: Openness and accountability in local pay

(1) Mr Bond, Mrs Brivio, Mr Caller, Mr Maddison and Mrs Whittle all left the Chamber and did not participate in the debate or vote in relation to this matter as they had declared an Other Significant Interest in this item as members of their family were all employed by Kent County Council.

(2) Mr Cooke moved, Mr Carter seconded that the County Council endorses the attached Pay Policy Statement.

(3) RESOLVED that the Pay Policy Statement be endorsed.

74. Treasury Management 6 Month Review 2013/14

- (1) Mr Simmonds moved, Miss Carey seconded that the Council note the report.
- (2) RESOLVED that the report be noted.

By: Paul Carter, Leader of the Council
 David Cockburn, Head of Paid Service

To: County Council – 15 May 2014

Subject: LGA Peer Challenge – Feedback and KCC’s response

Classification: Unrestricted

Summary: This paper provides an overview of the feedback provided by the LGA following KCC’s Corporate Peer Challenge in March 2014. The full feedback letter from the LGA is provided as an attachment. The letter includes a series of recommendations based on the findings of the Peer Challenge team, all of which have been accepted by KCC. This paper provides KCC’s response to each of the recommendations. County Council are asked to note and agree the LGA’s feedback letter and KCC’s acceptance of all of the recommendations made.

Recommendations:

County Council is asked to:

- 1) Note and agree the LGA’s feedback letter on the Corporate Peer Challenge;
- 2) Agree the acceptance of all of the recommendations made in the feedback letter; and
- 3) Thank the LGA, members of the Peer Challenge team and everyone who contributed to the Peer Challenge, including officers, Members and partners who took the time to meet with the Peers and share their views.

1. Introduction

1.1 From 4 to 7 March 2014, KCC took part in a Corporate Peer Challenge organised by the Local Government Association (LGA). Corporate Peer Challenge is part of LGA’s offer to support sector-led improvement within local government. LGA aim for all its members to have benefited from Peer Challenge by Autumn 2014, and around 50 councils have already taken part.

1.2 The aim of the Corporate Peer Challenge is not to replace previous inspection regimes, but that of a critical friend who understands the pressures and challenges that authorities are facing and can advise accordingly on areas of improvement or investment. Whilst there is no requirement to publish the feedback from the Peer Challenge, we believe it is important that the full feedback letter from the LGA is shared with County Council. The letter is attached as an appendix to this report.

1.3 All LGA Corporate Peer Challenges cover the following five corporate areas:

- Understanding of local context and priority setting
- Financial planning and viability
- Political and managerial leadership
- Governance and decision-making
- Organisational capacity

1.4 Given the timing of the Peer Challenge during the first phase of whole-council transformation, KCC agreed with the LGA that the Peer Challenge team would consider in particular:

- KCC's approach to transformation and in particular the robustness of plans, the management of risk and supporting the required cultural change
- How internal support functions can best support the Council to move to a future strategic commissioning model
- Progress on Health and Social Care Integration as well as Adult Social Care transformation, particularly in the context of the Better Care Fund and Kent's status as an Integration Pioneer
- The integration of Public Health into the KCC

1.5 We also agreed that the Peer Challenge team would provide an external perspective on our approach to economic development and regeneration.

1.6 The LGA worked with KCC to assemble a Peer Challenge team of senior and experienced local and central government and private sector Peers as follows:

- Martin Curtis, Leader of Cambridgeshire County Council
- Carolyn Downs, Chief Executive of the LGA
- Anne Brinkhoff, LGA Programme Manager
- Simon Ridley, Director of Local Government Finance, DCLG
- Andrew Flockhart, Strategic Director of Place, Poole Borough Council
- John Evans, private sector Peer
- Alison Miller, LGA Programmes Team Advisor (shadowing)

1.7 The Peer Challenge team spent a week based at County Hall during which they conducted focus groups and interviews with KCC members and staff and partners. This included a focus group with backbench members, all opposition group leaders, interviews with all Cabinet Members, a focus group with a sample of front line staff, Heads of Service and interviews with all Directors and Corporate Directors. The Peers also spoke to a large number of KCC's partners including the South East LEP Chairman, a CCG representative, the Chief Constable, District Council Chief Executives and a number of representatives from the business community. The Peers visited Discovery Park at Sandwich and met with some businesses operating there. In total, the Peers undertook 47 sessions where they met 32 Members, 64 KCC officers and 52 partners.

1.8 In advance of the Peer Challenge, we prepared a comprehensive self-assessment covering all of the areas to be covered. This provided helpful background information to the Peers, and was supplemented by an additional reading list of key council documents.

1.9 The Peers were very complementary about KCC's organisation of the Peer Challenge, including the briefing information provided in advance, the varied timetable of visits, interviews and focus groups organised and the support they received while at County Hall. They also said that they encountered open and honest engagement with KCC Members and officers at all levels of the organisation.

1.10 The Peer Challenge has proven to be a useful experience for KCC. It has been a valuable opportunity to gain a third party perspective from experienced Peers. In many cases this has provided important reinforcement of priorities and areas for improvement that we have already identified internally and will continue to address at pace. The Peers have also identified some new areas for consideration which will help us as we move forward through transformation.

1.11 The Peer Challenge Team have set out their findings and recommendations in a letter which is attached to this paper. An overview of findings as well as their recommendations and KCC's response to them are set out in this report.

2. Overview of findings

2.1 The headline messages from the Peer Team are very positive. The letter states that "KCC has the capacity and track record to succeed and there is much to celebrate. We heard many examples of where you are doing things extraordinarily well... Many of your successes are testimony to committed and talented members and officers who provide the strategic vision and professional expertise to deliver for local people."

2.2 The Peers confirmed that KCC understands the challenges ahead and that we are using the financial imperative to achieve the whole-council transformation that is needed to meet those challenges. They have acknowledged the achievements in delivering savings so far, and describe the transformation programme going forward as comprehensive and convincing. As we have already identified, the Peers advise that there is still much to do in implementing the outcome of market testing and service reviews and that significant culture change will be required to facilitate transformational change. The Peers found that leadership of Facing the Challenge is direct, focused and visible, and that KCC has allocated the necessary resources to its delivery. The Peers were particularly impressed with our strategic partnership with Newton Europe in driving adult social care transformation. Some helpful recommendations around improving communication and implementation planning have been provided, many of which are already in progress. The Peers have suggested the need for greater clarity and improvements in commissioning, procurement and contract management arrangements as we move forward.

2.3 Around financial planning, the Peers found that the council is making prudent assumptions about future funding and that the budget setting process is effective in

identifying service pressures, which can give Members and officers confidence that we are making realistic assumptions about the future financial challenges. They have provided recommendations around stronger spending control and making better use of financial information to understand service overheads.

2.4 Political and managerial leadership is reported as strong, with praise for the Leader and for the Corporate Board model, which is seen as highly regarded in providing a collegiate approach to managing the Council and providing clear direction and leadership. Corporate Directors are regarded as strong and professional individuals. The Peers were highly complementary about KCC's staff, who are described as enthusiastic, professional, competent and highly committed to delivering for local people. KCC's commitment to nurturing staff was praised, and KCC is encouraged to further engage and involve staff in transformation from the bottom up.

2.5 Governance arrangements were found to be robust, with Cabinet Committees providing a good forum for engagement and debate. The Peers report that backbench Members spoke very highly of their engagement with the council, and that there is a strong sense that Cabinet genuinely want backbench Members to be engaged, which the Peers describe as very positive and significantly better than relationships in many other councils. They emphasised the need for members to understand their roles and responsibilities within a commissioning authority, which we have already recognised and started to shape thinking around.

2.6 The Peers' findings on economic development and regeneration were exceptionally positive. They comment that businesses love working with the County Council and that they feel we understand their needs and operating environment. Developers were of the view that KCC is supportive of economic growth and the personal commitment of the Leader in this was praised. The Peers describe our strategic framework for economic development and regeneration as clear and coherent, with farsighted leadership and aspirations. The Peers saw evidence of our very significant track record in supporting businesses and creating places for growth, including a focus on supporting SMEs. The federated South East LEP governance structure was seen to be a very good solution. A small number of specific suggestions for consideration to continue KCC's success in this area have been provided.

2.7 The Peers found that, along with our partners, we have a strong vision for integrated and streamlined health and social care to provide whole-person care delivered in the community. They found that clinicians are at the heart of this process which they describe as very positive. The Peers consider that we are investing appropriately to deliver health and social care integration. They also report that the Health and Wellbeing Board is regarded as a system leader by key stakeholders. Recommendations have been made about clarifying the role of CCG-level Health and Wellbeing Boards, developing an overarching plan for delivering service improvements to residents, and opportunities to be explored around the recruitment of the next Director of Public Health.

3. Recommendations and response

3.1 The Peer Team's letter finishes with a number of specific recommendations based on their findings. They have stated that many of the recommendations are affirmative of the council's strong record of achievements. Others are actions they believe will develop KCC's effectiveness and capacity to deliver future ambitions and plans.

3.2 Based on their findings the Peer Challenge Team had confidence in the Council's overall ability to achieve and deliver its objectives and made the recommendations on that basis. They commented that the number of recommendations reflected the very wide scope of the review. These recommendations, which the Council accepts and agrees, and our responses are set out below.

3.3 Recommendation 1: Ensure that you continue to provide strong vision and direction but you facilitate an environment and culture that allows bottom-up creativity

(1) As we progress into Phase 2 of Facing the Challenge whole-council transformation, we are continuing to provide strong vision and direction. Going forward, we have identified that it is important to more clearly articulate our vision for becoming a strategic commissioning authority. The paper presented to County Council on 15 May 'Facing the Challenge: Towards a Strategic Commissioning Authority' sets out the authority's thinking around this, so that Members and officers can understand what it means for our services and the way that we all work.

(2) The separate paper to County Council on 15 May 'Facing the Challenge: Closing Down Bold Steps' asks Council to agree to close the Medium Term Plan Bold Steps for Kent one year early. This is in response to lessons learned from Phase 1 of transformation which found that it can be confusing to have two separate strategic statements driving the direction of the authority at the same time. Facing the Challenge must continue to set the strategic direction for the Council.

(3) We are already taking action to engage and involve staff in transformation from the bottom-up. The Peers praised the approach taken in the adults transformation programme, working with Newton Europe. As the Peers have recognised, a key component of this work has been an open management style, working with staff within specific services. Feedback from managers and staff was that they tremendously valued this approach as it enabled them to design the new systems using their local knowledge and expertise. The Peers concluded that this is resulting in genuine innovation. We have recognised the strength of this approach and are taking steps to apply it across transformation activity. One way in which we are doing this is through the new Transformation Network for staff, facilitated by HR. Initial staff workshops have been held to gather staff input into transformation plans and activities, and further development of the Network is planned to deliver greater staff engagement.

3.4 Recommendation 2: Design and implement a communication strategy for the transformation programme for staff, partners and citizens

(1) There has been a regular stream of communication about transformation to staff since Facing the Challenge was launched. This includes dedicated and regularly updated areas of KNet, weekly updates in KMail and in editions of KMail for Managers and cascade of information through Challenger Group events. Ad hoc, personalised communication to specific members of staff affected by changes, such as those brought about by New Ways of Working, have been delivered as required. Communication has aimed to provide staff with an overall picture of transformation aims and progress, as well as specific messages on changes that affect their service or day to day working arrangements. Facing the Challenge has good traction amongst senior and middle level managers.

(2) However, we accept the Peers' findings that, from the perspective of some of our staff, communication has been patchy depending on where they sit within the Council. We recognise the need to ensure that all Directorates support greater consistency in the messages that our staff receive, regardless of which service they work for. As recommended, we are already developing a Communication Strategy for Facing the Challenge that sets out what gets communicated to whom, when and how. We also agree that this must map different audiences that need to receive communication about transformation, including Members, staff, partners and citizens. Development of this Communication Strategy will become a key priority for Phase 2 of the Facing the Challenge programme. The Peers have recommended that the Transformation Director/Programme take responsibility for the development of this Strategy, and through the recent organisational realignment, the Corporate Director of HR is leading on this action through the programme, working closely with the Transformation Director, Transformation Advisory Group, CMT and external communications function. HR is already leading the culture change and staff communication and engagement activity for transformation, including making sure we utilise fully the enthusiasm and commitment of the Director group to be advocates of the transformation programme.

3.5 Recommendation 3: Develop a clearer understanding of the differentiation between commissioning, procurement and contract management and their appropriate place within the organisation

(1) The Peers found that not everyone understands the implications that becoming a commissioning authority may have on the 'look and feel' of the council. They also suggested that the roles and locations within the organisation of commissioners, those that procure and contract managers need to be considered carefully. These are issues that KCC had already recognised and started to work on. The paper being presented to County Council on 15 May on moving towards a strategic commissioning authority starts to address the Peers' recommendations. It acknowledges the need for greater clarity, and sets out the vision for the future of KCC as a strategic commissioning authority and what needs to be done to achieve this vision.

(2) To inform this thinking, we are learning from the experiences of other local authorities who are further ahead in their journey to become a commissioning council, aiming to avoid mistakes that have been made elsewhere and follow good practice.

3.6 Recommendation 4: Demonstrate more granularity in your workforce strategy about the specific skills required for commissioning, procurement and contract management

This recommendation follows on from the last. The Peers recognised that we have identified gaps in these areas already, and recommend that we address them at pace. The letter includes a specific finding about the variability of procurement skills across the organisation, acknowledging good skills in some areas. The letter praises the new Leadership and Management Development Strategy developed by HR to support Facing the Challenge, which covers commissioning, contract management and commercial skills. The Peers describe this Strategy as a 'key enabler' for the transformation to be successful. The County Council paper on moving towards a strategic commissioning authority identifies a series of specific skills and areas where further capacity is required. This starts to provide the granularity that the Peers have recommended. HR will continue to develop and refine workforce plans as this thinking evolves to ensure that the specific skills and capabilities gaps are being addressed.

3.7 Recommendation 5: Bring forward implementation plans alongside business plans to turn the vision for transformation more quickly into bankable savings

The Peers have acknowledged the scale of the savings KCC has delivered over the past three years, and praised our strong past savings record. They comment that this coupled with our strong budgetary control, resulting in underspends for the past 13 years, bodes well for the future. We agree with their comment that there is much to be done to implement the outcome of market engagement and service reviews as part of Phase 1; the pace of our transformation is already necessarily quick and to accelerate this any further could introduce unnecessary risk. They recommend that strong, clear and well-focused implementation plans are needed alongside detailed business cases to ensure that swift progress can be made in delivering savings on time. As we move from Phase 1 into Phase 2 this implementation planning is already built in as a critical part of our transformation activity alongside the development of full business cases for review and decision to ensure we have a clear focus on delivering the right outcomes and meeting our savings targets. This focus will be important for implementing the changes agreed as part of Phase 1, but also as we move forward into subsequent transformation phases. The Facing the Challenge Transformation team have met the agreed deadlines for delivery of Phase 1 market engagement and service reviews, as set out in the Phase 1 outturn report to County Council, putting us a strong position to proceed with implementation at pace.

3.8 Recommendation 6: Use your financial systems to provide transparency of accurate and comprehensive financial information on the true costs of services at the right level

(1) We agree with the Peers' findings that managers and staff require clearer financial information to understand the true costs of services. TAG have recognised the importance of using a reliable and consistent methodology for calculating corporate overheads as part of market engagement and service reviews. In December 2013, TAG agreed a methodology that has been used during Phase 1, and agreed in

March that this will be reviewed in light of learning from Phase 1. This is a complex area. As well as fixed and unfixed costs, the cumulative effect on corporate support services of delivery models changing across a number of services must also be understood. Each business case for change needs to be looked at individually, with Directors deciding whether there are genuine savings to be taken or not.

(2) The model used by Finance for calculating cost information on overheads is spreadsheet-based, and figures are calculated annually using outturn figures. As the Peers found, market engagement and service review work in Phase 1 demonstrates that there is potential to use the Oracle system to identify and apportion costs and overheads accurately to business units. It would not be possible to implement this immediately due to the large number of account code changes as a result of restructures happening across the organisation. TAG have agreed that a project will be implemented to generate overhead information throughout the year using Oracle, as soon as possible.

3.9 Recommendation 7: Ensure the Head of Paid Service has the authority to make the Council operate as 'One Council'

We have confidence in the organisation's governance arrangements, which the Peers reported positively on, and recognise the importance of clear, single accountability at senior officer level to the Head of Paid Service (HoPS). The Peer Review Team praised the Corporate Board model, commenting that it provides a collegiate approach to managing the council and enables clear direction and leadership. Alongside this we have clear accountabilities for the HoPS (and other senior strategic roles) set out in the County Council's governance, constitutional arrangements and in senior management job descriptions. However it will always be important to keep the council's governance arrangements under review to ensure that they continue to discharge the authority's functions effectively and respond to the challenges that the authority will face. We will continue to keep the arrangements under review and make changes as necessary.

3.10 Recommendation 8: Continue to invest in member development and ensure that your member development programme is refreshed to reflect the role of a member in a commissioning council

(1) We are very pleased to note that Members spoke highly of their engagement with the Council, and that the Peers found this to be significantly better than in many other councils. As our own evaluation had found, Members praised the induction programme following the County elections in May 2013, which they felt had prepared them well for their roles. Members also spoke positively about ongoing opportunities for member development and briefing available to them. This recommendation encourages us to continue our successful work on Member development which is already an ongoing programme.

(2) We agree that it will be essential moving forward for Members and the entire organisation to have a clear idea of the role of our Members in a strategic commissioning authority, and have already started putting this into action. KCC will remain a strongly Member-led authority with executive and non-executive Members

responsible for holding commissioners and providers to account for delivery of outcomes. This is picked up in the Commissioning Select Committee report which recommends that Members are supported to understand their new role through training and that further work is undertaken to strengthen member oversight of commissioning, procurement and contract management. The paper on moving towards a strategic commissioning authority that is being presented to County Council suggests a number of points that the role of Members will need to include. As stated in the paper, we will ensure the future training programme for Members includes the development of skills for the new role of Members in the commissioning authority.

3.11 Recommendation 9: Simplify the informal governance structure and empower more; but continue to involve members

(1) While Peers were very positive about most elements of KCC's governance, they reported that informal governance arrangements have grown and become more complex, with many informal boards having evolved over time. The Peers feel that in order to support the council's ambition to increase the pace of transformation, there is a need to review this informal structure. We have recognised this through Facing the Challenge and a review is in place already to look at informal boards operating at the corporate centre, and this is due to report in due course. KCC is a large and complex organisation, and internal processes will always be required to provide collective advice on issues and shape decisions before progressing to formal decision-making arrangements, or where formal routes are not required. We will seek to rationalise informal structures where this is needed, but more importantly we will ensure that each informal board has a stronger and clearer role and remit. We will also ensure that staff are aware of this and understand the types of issues and decisions that should be taken to each informal board. As well as the informal arrangements at the corporate centre, there is also a requirement on all Directors for the informal arrangements in the Directorates to be as streamlined and clear as possible.

(2) Regarding the Peers' recommendation to empower more, we have a strong Officer Scheme of Delegations in place within the council's Constitution, which the Peers have recognised. They have suggested that officers need to be encouraged to use these existing powers more proactively in order to deliver business at pace. This is a managerial responsibility for Corporate Directors and Directors to take forward, recognising that KCC is and continues to be a strongly Member-led authority.

3.12 Recommendation 10: Create a safe space where officers and members can discuss risk openly to foster innovation

(1) Developing a more mature approach to risk is fundamental to delivering the shift in culture that is needed to make Facing the Challenge a reality. We will need to empower staff to innovate and take timely decisions to support customers, holding them to account for delivery rather than restricting their operational freedom unnecessarily. The Corporate Risk function has already started work to explore the organisation's current attitude to different categories of risk, and how this needs to change. A workshop has been held with the Challenger Group and will be followed up with a series of focus groups. Risk appetite statements will be developed for different

categories of risk so that managers can translate these into acceptable risk tolerance levels for their area of business or change programme.

(2) The Peers found that risk management arrangements for the transformation programme are appropriate, and that this supports robust programme management.

3.13 Recommendation 11: Ensure that the corporate centre of the organisation is a consistent facilitator to transformation

The Peers report that some staff and managers perceive the quality of back office functions as patchy. While there are areas of excellent practice within these functions, we agree that there needs to be greater consistency in the support provided across the organisation and recognise the importance to front line services of ensuring the support is of the highest quality. Seven of our corporate services have been included in Phase 1 of service engagement and market reviews, and Procurement is being covered in Phase 2. As well as engaging with the market to explore the best delivery models for these services, this has provided an opportunity to work with the services to ensure they effectively support and facilitate front line transformation.

3.14 Recommendation 12: Seriously consider the future relationship with your District Council Chief Executives to further support joint work

(1) The Peers conducted a group discussion with nine of the District Council Chief Executives as part of the Peer Challenge. During this meeting, Chief Executives spoke to the Peers about a perceived breakdown of trust between themselves and KCC. It is important to note that the Peers only engaged with District Chief Executives. As we had stated in the self-assessment prepared in advance to support the Peer Challenge, with 12 District, Borough and City Councils in Kent, KCC's relationships with them are inevitably variable, not helped by inherent tensions between two-tier areas caused by national funding and planning arrangements. Relationships are likely to shift and alter over time as a consequence of recent events and circumstances.

(2) There are a great number of examples where we have worked effectively with Districts to address an area of joint concern or exploit joint opportunities. This has included our partnership work to develop a joint approach to Council Tax Benefit Localisation, recognised by DCLG as an example of best practice, the nationally acclaimed Kent Resource Partnership and Kent Connects, the county's lead technology partnership, which has delivered a return on investment for partners of between 115-400%. Kent's innovative CCG-level Health and Wellbeing Boards bring together local partners, and District Councils are key partners in the preventative agenda. For example in East Kent, we are working with Districts to develop an integrated approach to local housing and accommodation, alongside the development of Community Hubs to help provide a single point of access for health and wellbeing needs. Through the Troubled Families programme, joint work with District Councils is often instrumental in resolving barriers to supporting families, and District Chief Executives act as Project Sponsor for Troubled Families projects in several districts. We also worked in close partnership with our District colleagues on the commissioning of new Youth Service contracts, resulting in contracts that respond to local needs and

achieve savings. There are numerous examples of strong partnership working in economic development, which the Chief Executives acknowledged.

(3) However, we note the concern of the Peers and the feedback from District Chief Executives that they feel the relationship should be improved. We will look at the number of forums in which we engage with Districts to ensure this is adding value for everyone, recognising that the basis for our relationship should be at the political level allowing Leaders to agree strategic direction supported by officer forums around issues that affect the county. We will ensure that forums for working with Districts are based around those issues where there is a genuine need for and benefit from joint working, with a single point of contact at senior level for District Council Chief Executives.

3.15 Recommendation 13: Develop a strategy for the Voluntary and Community Sector, as the Council changes its approach to service delivery and works to make savings

(1) The Peers found that some staff, members and partners share concerns about the impact of moving towards a commissioning council on the voluntary and community sector. We continue to recognise the importance of our relationship with the voluntary and community sector (VCS), and would like to strengthen and move this relationship forward as we become a commissioning authority.

(2) We have already committed to developing a VCS Policy for KCC. This will be developed working with commissioners from across the authority and we will consult and engage with our partners in the VCS. A small Member Reference Group will support its development. The Strategy will define our relationship with the VCS, recognising the role of the wider sector - both those organisations that deliver services on behalf of KCC, and those that we may know very little about but that deliver activities in our communities that help build community resilience and manage demand for services. The Policy will also help us to establish how the sector can be supported to be self-sufficient, considering innovative models of support to the VCS. It will also look at how we can improve our commissioning and procurement processes so that the VCS is able to successfully compete within a commissioning environment, and how our grant funding can be better coordinated to ensure it meets KCC's corporate objectives and is accessible to a range of VCS organisations.

3.16 Recommendation 14: Continue to develop the health and wellbeing board to become the system leader for Kent, ensuring that providers are fully engaged, and clarify the role and relationship of the local health and wellbeing boards to the Kent Board

(1) The Peers were very positive about the strong commitment of KCC and partners to lead the integration of health and social care. They found that the Health and Wellbeing Board is increasingly regarded as a system leader by key stakeholders. The presence of the Leader is regarded as a welcome, dynamic and challenging force to push for faster pace, while the Chairman is ensuring that meetings are collegiate and inclusive. Since the establishment of the shadow Health and Wellbeing Board in 2011 as a national early implementer, arrangements have matured considerably, and the

Board is proving to be a successful platform for promoting joint commissioning and integrated working. The crucial part played by clinicians is recognised and will be developed further. KCC and its partners can be proud of the work done since becoming an Integration Pioneer and in the production of a comprehensive Better Care Fund; this was also recognised by the Peers. However, we know that there are further improvements to make, and we are looking to ensure that the Board is able to usefully engage with providers and has the appropriate relationship with all stakeholders and parts of the system, including the local health and wellbeing boards.

3.17 Recommendation 15: Keep listening to the changing needs of your business community, and build on the opportunity created by the new Kent and Medway Economic Partnership to lead and drive the growth agenda

(1) The Peers report that feedback from businesses about their relationship with and support from KCC was strongly supportive. Businesses told Peers that we understand their needs and the context they operate in, and this recommendation encourages us to continue our extensive and successful engagement with the local business community so that we can continue to support them appropriately. We have a variety of channels through which to do this, and listening to businesses will continue to be a top priority.

(2) We are pleased to note that businesses consider the new federated governance structure within the South East Local Enterprise Partnership (LEP) to be a very good solution. KCC played a lead role in setting up the Kent and Medway Economic Partnership to drive the growth agenda and stand up for Kent and Medway's interests within the large South East LEP. The Kent and Medway Economic Partnership has developed 'Unlocking the Potential: Going for Growth' which is the new seven year growth plan for Kent and Medway. It sets out the opportunities for business growth and the challenges that we must overcome. The delivery of 'Unlocking the Potential' will drive our work to promote economic development and growth over the coming years, working with local businesses, developers, Districts and other public sector partners, and central government.

4. Other issues raised

4.1 The Peers' feedback letter includes a number of other helpful findings and suggestions that were not formalised into specific recommendations. There are a number of specific suggestions that we would like to note and respond to, as below.

4.2 Urgency to identify savings

The Peers have suggested that urgency is required to identify savings (£45 million in 2015/16 and £43 million in 2016/17) required in the Medium Term Financial Plan (MTFP) to be delivered through transformation. We take on board this suggestion, and accept that there are some unidentified savings in the MTFP where the detail of where savings will be delivered has not yet been confirmed. However, KCC has a strong track record in delivering a balanced budget and we are confident that we will deliver these savings. Despite the current challenges, we are no further behind in identifying savings than we would expect to be in the budget-setting timetable. Progress against

transformation is on track, and implementation of Phase 1 decisions will continue at pace.

4.3 Risk associated with having two SROs for the 0-25 transformation change portfolio

The Peers feel that splitting the SRO (Senior Responsible Owner) role between two Corporate Directors introduces the risk of a bottleneck and conflict. We acknowledge that this is an unusual arrangement in portfolio management terms, but one that is necessary and working for KCC given the need for close working between the Education and Young People's Services and Social Care, Health and Wellbeing Directorates on this area. We have arrangements in place to mitigate this risk. As the Peers have suggested, the Corporate Portfolio Office has the necessary authority to provide assurance over this portfolio and recommend any remedial action to senior management and TAG as necessary. A blueprint for the 0-25 transformation change portfolio has been developed jointly between the SROs. It sets out the vision and objectives for the 0-25 change portfolio and provides milestones that will allow the organisation to keep track of delivery.

4.4 Recruitment of the new Director of Public Health presents an opportunity to ensure public health works across all of the council and the health economy

The transition of Public Health into KCC has been a significant change for the council. Although this was well-managed, inevitably it will take some time to fully realise the potential of this change. The Peers report keenness amongst public health staff to take a whole-council approach to public health and build relationships with District Councils. They have rightly suggested that effective leadership from the incoming Director of Public Health will be crucial to achieve this. We will ensure that this is delivered through the recruitment and appointment process for the new Director.

5. Conclusion

5.1 The LGA Corporate Peer Challenge was a valuable experience for the County Council and has provided us with helpful recommendations and added impetus to take forward actions we have already identified. We would like to extend our thanks to the LGA and the Peers who conducted our Peer Challenge for their time, insights and recommendations. We would also like to thank everyone who was involved in the Peer Challenge, including numerous Members, staff and partners who took the time to meet with the Peers and share their views honestly and openly.

5.2 KCC has provided a response to all of the recommendations and agreed to take or progress action to implement them.

5.3 The LGA have offered KCC continued support to take forward the findings of the Peer Challenge. We will work with the LGA to determine the best way in which we can make use of this offer.

6. Recommendations

County Council are asked to:

- 1) Note and agree the LGA's feedback letter on the Corporate Peer Challenge
- 2) Agree the acceptance of all of the recommendations made in the feedback letter
- 3) Thank the LGA, members of the Peer Challenge team and everyone who contributed to the Peer Challenge, including officers, Members and partners who took the time to meet with the Peers and share their views.

Attachments:

Feedback letter from the LGA to Paul Carter and David Cockburn on KCC's Corporate Peer Challenge, dated 24 April 2014.

Background papers:

None

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24th April 2014

Dear Paul and David

Kent County Council - Corporate Peer Challenge: 4-7 March 2014

On behalf of the Peer Team, I would like to say what a pleasure it was to be invited into Kent County Council (KCC) to deliver the recent Peer Challenge. The Team felt privileged to be allowed to conduct its work with the support of you and your colleagues.

You commissioned the peer challenge at an important point in your whole-council transformation approach which is set out in 'Facing the Challenge', and is expected to deliver fundamental changes to your delivery model and organisational structure. The peer challenge took place towards the end of phase 1 of the implementation plan and provides an opportunity to contribute to your reflection and evaluation of phase 1, and the planning of phase 2. Within this context you asked the peer team to consider in particular:

- Your approach to transformation and in particular the robustness of plans, the management of risk and supporting the required cultural change
- How your internal support functions can best support the Council to move to a future strategic commissioning model
- your progress on Health and Social Care Integration as well as Adult Social Care transformation, particularly in the context of the Better Care Fund and Kent's status as an Integration Pioneer
- The integration of Public Health into KCC

Growing the economy is one of three priorities for the County as set out in 'Bold Steps for Kent', your medium term plan, and KCC has been very successful in delivering regeneration and business growth. You asked the peer team to provide you with an external perspective on your current plans and approaches.

In delivering this focus the peer team also considered the core components that all corporate peer challenges cover:

- Understanding of local context and priority setting: Does the Council understand its local context and has it established a clear set of priorities?
- Financial planning and viability: Does the Council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
- Political and managerial leadership: Does the Council have effective political and managerial leadership and is it a constructive partnership?
- Governance and decision-making: Are effective governance and decision-making arrangements in place to respond to key challenges and manage change, transformation and disinvestment?
- Organisational capacity: Are organisational capacity and resources focused in the right areas in order to deliver the agreed priorities?

It is important to stress that this was not an inspection. Peer Challenges are improvement-focused and tailored to meet individual council's needs. The peers used their experience and knowledge to reflect on the information presented to them by people they met, things they saw and material that they read.

This letter provides a summary of the feedback that was presented at the end of our March 2014 onsite visit. In presenting this feedback, the Peer Challenge Team have done so as fellow local and central government officers and members, not professional consultants or inspectors. We hope this will help provide recognition of the achievements of Kent County Council while also stimulating debate and thinking about future challenges.

1. Context for the challenge and headline messages

KCC made a confident decision to invite the peer team at this critical point in time. Common to many councils, you are facing unprecedented financial and demographic challenges over the next three years which will require a fundamental transformation of what you do and how you do it. A new Directorate structure has been approved and will commence on 1st April. Inevitably this and the associated transformation savings programme is causing uncertainty and some bruising for your staff. Phase 1 of the transformation programme has been about planning for transformation and the organisation has not yet experienced radical changes. The peer team saw its role as providing you with affirmation and challenge within this space for reflection. We encountered open and honest engagement from KCC members and officers at all levels of the organisation.

KCC has the capacity and track record to succeed and there is much to celebrate. We heard many examples of where you are doing things extraordinarily well, for example in economic development and regeneration and also across many other services. Many of your successes are testimony to committed and talented members and officers who provide the strategic vision and professional expertise to deliver for local people. Businesses in particular love working with the County Council. One business representative told us: *'a good local authority compared with an obstructive one is the difference between success and failure. Kent is a place to succeed'*. They feel engaged through the Business Advisory Board and value the programmes and schemes to support growth, for example High Growth Kent.

The Council understands the scale of the challenge ahead and is using the financial imperative of cost reductions to achieve the whole-scale transformation that will meet future demographic challenges, address customer expectations and embrace the opportunities arising from both mobile technologies and changes in social relationships. Much has been done to deliver £269m savings over the three financial years to 2013/14 and in designing a convincing and comprehensive transformation programme that is expected to deliver estimated savings of £239m by 2016/17. However, there is still much to be done to implement the outcome of market engagement and service review exercises underway. Managers are keen to get more involved in the transformation programme and, if enabled, will bring further commitment, ideas and professionalism to its implementation, whilst ensuring that their staff and colleagues are both enthused and engaged.

Urgency is needed to identify savings (which amount to £45m in 15/16 and £43m in 16/17) as part of the transformation programme, as opposed to service reduction decisions. The experience of using Newton Europe in Adult Social Care demonstrates that bottom-up engagement with managers and staff has been very successful to date and will be crucial if the transformation programme is to be achieved.

As you have identified, significant culture change will be required by everyone to achieve your desired approach to risk and to facilitate transformational change and commercialisation.

2. Approach to transformation – ‘Facing the Challenge’

KCC has developed an ambitious transformation programme with a clear vision and strategy. In July 2013, KCC endorsed ‘Facing the Challenge: Whole Council Transformation’, a paper setting out the council’s policy response to the financial challenge over the medium term. The Council’s transformation strategy, ‘Facing the Challenge: Delivering Better Outcomes’ was written in September 2013 as a response not only to financial austerity but also to address unfunded demand pressures from a rapidly changing society, increasing customer expectations and technological opportunities; all of which would need significant cultural change within the organisation. A purposeful intent for KCC to become a commissioning authority with a greater focus on outcomes and less focus on process drives the three transformation plan themes: market engagement and service review; integration and service redesign; and managing change better. This deliberate and clear approach is a crucial foundation to drive change of this magnitude.

Leadership of the delivery of ‘Facing the Challenge’ is direct and focussed. The Leader provides strong, visible and involved leadership and chairs the Transformation Board, a cross-party member group providing oversight of the programme, and the Transformation Advisory Group, meeting weekly and receiving progress on individual transformation programmes. The peer team found respect for the Head of Paid Service, Corporate Directors and Directors from members and officers alike.

KCC has allocated the resources necessary to deliver the programme. A Corporate Programme Office has been established which includes KCC programme managers

who are providing programme and project support to Senior Responsible Officers (SROs) and Business Change Managers for each of the transformation programmes. The Council is aware of its skills strengths and gaps and has accordingly undertaken (and publicly defended) the procurement of high class external expertise to ensure that service reviews are challenging and to support SROs with specific skills sets, for example commercialisation. We found evidence that decisions about resource needs for the programme were taken and acted on swiftly to enable the work to move forward. This is enabling the programme to deliver against challenging timescales with rigor.

Internal capacity has been harnessed positively by use of an existing Director in managing the programme. The Director of Transformation has high visibility and enjoys credibility among many members and staff. They see his appointment as a positive endorsement of the Council's commitment to developing staff. This supports not only the credibility of the programme but also its communication through established and new channels.

The risk management arrangements for the transformation programme are appropriate. The programme has its own risk register which is reviewed monthly and reported to the Transformation Advisory Group. It uses a standard risk management methodology. The risk register includes 17 risks, the highest referring to the inability of achieving the financial savings. All risks have identified controls and actions and appropriate level risk owners. This supports robust programme management.

KCC has recognised that communication of 'Facing the Challenge' needs to be improved to ensure that it is delivered more consistently across all KCC Directorates, especially for non-managerial staff who told the peer team that messages and their delivery are patchy and depend on the Directorate to which staff belong. We were told by some that messages can be quite transactional, for example about specific HR terms and conditions, rather than wider transformation and service issues. The peer team would recommend that the Transformation Director/Programme takes on the responsibility for communication of the transformation programme and that this is managed as a change project with a communication plan that sets out what gets communicated to whom, when and how, and ensures that messages are scripted. This plan needs to map different audiences which ought to include members, staff, partners, including those with grant funding from KCC, and citizens.

Strong, clear and well-focused implementation plans are needed alongside detailed business cases to ensure that swift progress can be made in delivering savings on time. The peer team acknowledge that the services involved in the phase 1 market engagement reviews are preparing business cases for consideration by the Transformation Advisory Group. However, going into Phase 2 unless implementation plans are prepared at the same time, there will be a delay in implementation which will put back the accrual of the resultant financial benefits.

Additionally, the Corporate Programme Office must have the license to operate effectively across the whole Council, particularly in the large people focussed directorates which hold significant budgets.

The roles and specific locations of commissioners, those that procure and contract managers within KCC need to be considered carefully. Clarity on which roles are in the corporate centre and which roles are in the Directorates is crucial to the successful delivery of the transformation programme and in truly becoming a commissioning Council. The team heard from staff and members that not everyone understands nor appreciates the difference between commissioning and procurement nor the implications that becoming a commissioning council may have for the 'feel and look' of the Council.

Our discussions highlighted that the quality of procurement is patchy. We heard about some good procurement skills, particularly for large scale and value contracts. We also heard about areas within Directorates that carry out significant procurement themselves. However, there is a gap in knowledge of supplier base. Procurement savings would be strengthened considerably if there were a more detailed and sophisticated approach to identifying categories of suppliers across the council and aggregating these contracts in order to achieve best value. Looking forward there is a need to consider how you can maximise social value from procurement particularly in areas where there needs to be a high level of input from the voluntary and community sector.

You recognise that contract management needs to strengthen and if this is done well it will offer opportunities for further savings. There is now an opportunity to make structural changes in these three vital areas and the peer team recommends that you review your current arrangements and engage with other Councils who are advanced in their approaches to commissioning. A key consideration in this will be to develop strategic commissioning capacity to ensure a good interface between service commissioners and procurement, balancing service specific knowledge and expertise with the need to act corporately and with consistency.

The support provided through Newton Europe in Adult Social Care transformation is impressive. The work has secured savings of about £30m over two years through re-engineering the processes for allocating support after first contact and significantly reducing delay and from changing the approach to reablement. Our discussions highlighted that a key component of their work was an open management style and a bottom-up approach, working with staff within specific services. Feedback from managers and staff was that they tremendously valued this approach as it enabled them to design the new systems using their local knowledge and expertise but within the analytical rigor and challenge brought by Newton Europe. This is resulting in genuine innovation. You have recognised the value of this and given the professionalism and commitment of the staff we met, we would recommend that you encourage more of these bottom-up approaches which will both enable transformation projects to go faster and further whilst also empowering staff.

The prevention stream for Children's Transformation remains very high risk because it is split between two Directorates with two SROs. This is a very unusual arrangement and has the potential to create a bottleneck and conflict which will need to be addressed. If you continue with this arrangement, rather than having one SRO, you will need to ensure the Corporate Programme Office has all necessary authority to provide assurance in this area, and report and recommend remedial action to the Transformation Advisory Group as may be necessary.

3. Financial planning and viability

KCC has a strong past savings record. It has made savings of £269m in the last three financial years up to 2013/14. This is coupled with strong budgetary control resulting in underspends for 13 years and a forecast budget underspent for 2013/14. This augurs well for the future.

Budget plans are realistic. The Council is making prudent assumptions about future government funding as well as income streams. The budget setting process is effective in identifying service pressures. This can give members and officers confidence that the Council's assumptions about the size of the financial challenge is realistic.

KCC's approach to medium-term financial planning is robust. The Council has a medium-term financial plan (MTFP) which provides clear and realistic estimates about the future income and expenditure levels. They provide the assumptions for the scale and strategic direction of the 'Facing the Challenge' change programme which has been agreed with members. The Council has already made some difficult service decisions, for example reducing the subsidy on its bus pass for young people (Freedom Pass), and reducing the number of Children's Centres. The MTFP identifies a clear savings target of £239m over the next three financial years.

There is a recognised need for stronger spending control in order to achieve the assumptions in the MTFP. Budget planning for 2014/15 is seeing the introduction of stronger measures of budgetary accountability for Directors' budgets, placing more individual responsibilities for working within budgetary limits, and linking this to Director performance reviews and appraisals. In addition the Council has introduced a cap on debt service costs of 15% of the net revenue budget.

Mitigation measures for short-term budget issues have been identified. For example, the Council has increased its levels of General Reserves from £26m in March 2011 to £31m in March 2013, and increased earmarked reserves from £118m in March 2011 to £163m in March 2013. Although there is a strong focus on delivering savings through 'Facing the Challenge', informal discussions about other possible service savings are taking place. Overall, this provides confidence that the Council has the information, budget control and alternatives to sustain its financial viability over the medium term.

However, the Council faces significant unidentified savings over the financial years of 2015/16 (£45m) and 2016/17 (£43m). Securing £45m savings for the next budget will require certainty to the extent of savings that can be realised through the transformation programme over the next 8-10 months. The timescales set out in 'Facing the Challenge' show that business cases for Phase 1 of the Market Engagement and Service Reviews are due at end-April. Unless implementation plans can be developed quickly there is a significant risk that programmes will not generate savings from 1st April 2015.

The peer team consider that there are two additional key issues that need considering to boost the success of the transformation programme. They are:

- A need for a continuous change in culture and mind set among Directors, managers and staff to ensure that personal budget accountabilities are embraced and that staff are encouraged, empowered and challenged to understand the need for a change in balance between cost and service provision and to manage the associated risk. At the same time, members need to be aware that officers must stick to budgets and look for service savings and engage in these discussions. It is essential to create a 'safe space' for discussions about risk and implications for changing services
- Our discussions highlighted a particular concern around Children's Services with regards to budget overspend in Looked After Children, the need for a shift to prevention and alternatives to care and realisation that this service area will have to contribute to the savings agenda. Given the service history and the additional investment provided to address the Ofsted inspection judgment in 2010, this is understandable. Service improvements have been achieved and there is now a need for the Children's Services to consider itself contributing to the corporate savings agenda, as all other Council services.

At present, service managers and staff across the Council do not have the financial information to understand the true costs of services. Early market engagement work has shown your Oracle system can identify this information and apportion overheads and other costs accurately to business units. Carrying this work out for all services is a necessary first step to create the foundations for operating more commercially and for assessing the bids made for services by external providers. The challenge team consider this a top priority for the Council to succeed in market engagement. It will require a change in practice as well as in ensuring that officers and managers understand the true costs of their services.

4. Political and managerial leadership

The Leader is strong, effective and involved. Everyone the challenge team spoke with reflected this view. He is widely regarded as having brought commercial thinking to the Council and is driving transformation and the integration of health and social care.

The Corporate Board model is highly regarded and is seen to provide a collegiate approach to managing the Council. The members and officers we spoke with confirmed this and felt strongly that the model is providing the right space for informal discussions about strategic and services issues, the transformation programme and the financial challenges. This enables a clear direction and leadership. In going forward, care must be taken to manage the agenda of the Corporate Board to deal with the issues that need to be dealt with collectively in order to allow Cabinet members and Directors to provide appropriate service leadership within a corporate framework.

Given the significant challenges that require focus, determination and pace as well as a history of Directorate autonomy, the peer team consider that this leadership model is appropriate for this point in time. However, there is a need to reflect on the implications of strong personalised leadership with regards to the importance of succession planning, to help sustain the culture change for years to come.

The Head of Paid Service and Corporate Directors are highly regarded individuals. Staff, managers and members spoke well of their individual competence and enthusiasm. They are approachable and provide good leadership for the services within their Directorates. The peer team found many examples of excellent local delivery which is testimony to this.

Our conversations with managers and staff highlighted that while Directors are regarded as strong and professional individuals, the Corporate Management Team is sometimes seen as siloed. This is being addressed through additional regular Corporate Directors meetings focused on whole council transformation. Success in the Council's ambition to move from service Directorates into more functional service groups will rely on Corporate Directors to lead and manage across all of the Council. The transformation programme requires horizontal transformation as well as vertical transformation and the Corporate Management Team is the vehicle to achieve this. Similarly, the successful integration of Public Health across all council functions will require a corporate approach, led and managed by the Head of Paid Service.

The Council's leadership programme for its staff (Kent Manager) is highly regarded by many as providing them with the leadership and management competencies to work successfully within the Council. Indeed, several staff who are not taking part are keen to join the programme. Maintaining flagship programmes such as Kent Manager and encouraging staff to improve their skills for the future need of the organisation in times of austerity shows the Council's commitment to and recognition of the importance of nurturing its own staff, thereby building loyalty and commitment over the longer term.

We met with many enthusiastic, professional and competent staff who are keen to contribute to the transformation agenda. This is clearly a result of KCC's long-term commitment to staff development and training. The peer team would recommend that you continue to sweat your assets and harness your professional talent – there is plenty within the organisation. The more staff feel they can contribute ideas to changing their service to save money and to the wider transformation programme the more successful the overall transformation will be. The development of further discussions about risk between staff, managers and members will facilitate this.

Additionally members will need to understand their future roles and responsibilities within a commissioning council. They will have key roles in the strategic planning process (such as the assessment of needs, reviewing service provisions and deciding priorities) as well as in the monitoring and evaluation of provider performance in localities and across the service. For this new model to be successful and for members to continue to have and feel to have ownership, they will need to be supported in understanding and enacting their new responsibilities.

5. Governance

The governance arrangements for the transformation programme provide drive, direction and commitment at the most senior level. Both the Transformation Board and the Transformation Advisory Group are chaired by the Leader and are critical to ensuring that programmes can move at pace whilst ensuring the necessary cross-party political commitment to deliver organisational transformation of this scale.

Cabinet Committees and Standing Committees provide a good forum for engagement and debate for backbench members. Committee Chairs are well informed and enthused about their opportunities to be briefed and to challenge before decisions are taken by Cabinet. They feel that the role of Cabinet Committees in debating decisions that will be put to Cabinet is less adversarial than the more conventional scrutiny model. For example, good quality debate and engagement was reported on the transformation programme for adult social care and the proposals for closure of children's centres.

Backbench members spoke very highly of their engagement with the Council. New Members praised the induction programme following the elections in May 2013 and felt that it had prepared them well for their new roles. All members spoke positively about the on-going opportunities for member development, including informal briefings. There was a strong sense that Cabinet members genuinely want backbench members to be informed and that officers understand and respect the role of backbench members and will provide formal and informal briefings that are tailored to the experience and expertise of individual backbench members. Given the political make-up of the Council and a need to collectively deliver the transformation programme this is very positive and significantly better than relationships in many other councils.

Informal governance arrangements have grown and have become complex. There are many informal Boards which have evolved over time. While many of these are serving a purpose, collectively they absorb significant officer time and are reported by many to delay decision making. An example was the Building Schools for the Future programme where we heard that each bid had to go through four different committees before a decision was taken at Cabinet. Given the Council's ambition to increase the pace of transformation, there is a need to review this informal structure. The peer team would encourage the Council to consider whether a more distributive approach to the leadership of the council could increase the pace of change.

Building on Kent Manager, officers need to be encouraged to use their existing powers of delegation more proactively. There is an expectation from the Leader, lead Members and Senior Managers that officers will use their delegations to make decisions in order to deliver business at pace. This is a positive endorsement of officers' skills but needs to be more clearly articulated as part of the organisational culture. Encouraging officers to use their existing powers of delegation requires a culture where officers are supported and encouraged to make decisions to their best ability. It also requires a culture that will support officers to learn from mistakes when they make the wrong decisions. A culture of accepting but learning from mistakes is essential for delegated decision making.

6. Organisational capacity

Staff are very committed to their jobs, to Kent and to the County Council. We met with very able and professional staff who are passionate about their services and achievements and are highly committed to delivering for local people. We heard many examples of fantastic achievements, for example your outstanding work in economic growth and regeneration and the very innovative transformation work in

Adult Social Care, such as 'Promoting Independence Reviews' and the Kent Enablement at Home Service.

Many staff welcome opportunities for personal development arising from the transformation programme. Many value the opportunities to lead or contribute to market engagement and service reviews, and the learning that arrives from engagement with external partners and challenge. Others spoke positively about the opportunities to extend their jobs and sphere of responsibilities following the restructure.

KCC demonstrates the importance of staff development by maintaining a training budget of £3.5m per year on staff training and development and continues to be recognised as an 'Investors in People' organisation. It has produced a new Leadership and Management Development Strategy to support 'Facing the Challenge' which identifies the skills, knowledge and behaviours managers will need to manage the transformation but also to operate successfully and confidently in the new organisational model. This includes commissioning, contract management and commercial skills which are current gaps that are recognised by staff themselves as well as managers and members. This will be a key enabler for the transformation to be successful.

However, some staff we spoke with feel stretched. Our conversations with them highlighted this as a general theme. *'I have no time to think about the direction of my service'* was a comment we heard from several people we spoke to. We heard that staff find it difficult to balance the demands of 'doing the day job' with attending formal meetings, keeping up to date with changes in the Council, managing their staff well and completing job essential training and development. These are concerns which were raised from a general position of 'good will' and are messages that the leadership at KCC needs to hear and consider.

Notwithstanding the engagement work that has been undertaken not all staff yet feel sufficiently engaged in 'Facing the Challenge'. As mentioned earlier in this letter, communication about the programme is patchy and depends on the approach taken by Directors and Heads of Services. We heard some positive examples of regular bulletins from and meeting with Directors. Regular information about the transformation programme is focused mainly on HR aspects which is important for all staff but does not do justice to the significance and scope of the programme as a whole. We had comments from some staff that they are concerned about the impact of change on service users, for example closing children centres or changes in provision to day centres. These are legitimate concerns and staff need to understand the process and wider thinking, including about the impact of changes on users and other services, which precedes service changes. Only then can they be champions for the transformation KCC seeks to achieve.

Staff and managers perceive the quality of back office functions to be patchy. We heard mixed views about the capability of HR, procurement and property services as enablers to support front line staff in delivering change and transformation. Given the ambitious timetable for the market engagement and review projects, it is paramount that these corporate functions have the capacity and capability to support the change

at pace and with an understanding of their role in supporting change as opposed to maintaining the status quo.

The organisational gaps in knowledge and skills about commissioning, commercial and risk management need to be understood and addressed at pace. There is a huge opportunity in using the existing training budget to deliver this but we would also encourage the Council to use local commercial experience to provide a practical challenge to its approach as well as helping with training and development programmes for Council staff.

7. Economic development and regeneration

There is strong connection between members, officers and the business community, including developers. Our site visit and discussions with a range of stakeholders from the private sector highlighted strong and respectful relationships. Businesses, large and small, throughout the County feel that KCC understands their needs and operating environment. They have good dialogue with the Council – both Members and officers – and value the leadership and support provided. Developers were of the view that Kent is supportive of economic growth. The personal engagement and commitment of the Leader in setting out a farsighted vision and aspirations has been significant in this. Indeed, one person told us *'the Kent model works because Paul has led us to considering all matters on a commercial basis'*. This creates resilience and focuses spend on issues that drive the growth agenda.

KCC has farsighted leadership and aspirations which guide a clear and coherent strategic framework for economic development and regeneration. Building on and refining the previous county wide framework 'Unlocking Kent's Potential', it has recently published 'Unlocking the Potential: Going for Growth', a seven year growth plan for Kent and Medway which continues the three themes of 'Places for Growth, Businesses for Growth, Skills for Growth' and sets out 20 solutions to unlock growth in Medway and Kent. This strategic framework has good links with key strategies and plans for transport infrastructure, housing and seeks to use £575 million from the Local Growth Fund over six years from 2015/16.

The ambition for growth is underpinned by competent people within KCC, capable of delivering innovative programmes. Those businesses and partners we met were very complimentary about the mindset, dynamism, competence and skills of lead members and officers at KCC, including their technical skills in property development and finance. KCC is seen by the business community as being able to operate in an environment which delivers commercial success.

KCC has a very significant track record of success in supporting businesses and creating places for growth. A very good example is the Discovery Park near Sandwich, where a multi-faceted response was developed to the withdrawal of a major pharmaceutical company in 2011. The response to this economic threat took a very broad view of the issues and was, as a result, able to engage a wide range of stakeholders in leading the search for solutions. This enabled opportunities to be identified that would not otherwise have been considered. The programme that was developed focussed on the needs of the community at large as well as the needs of businesses. Hence the Discovery Park scheme included the creation of bespoke

business space as well as a business support programme and investment in transport and community assets such as good quality public space and flood defences. Businesses emphasised the value of KCC's focus on providing SME's with better access to finance through schemes such as Expansion East Kent, TIGER or Escalate, as well as specialist schemes for example to businesses in the rural economy.

The newly formed governance structure creating sub regions within the South East Local Enterprise Partnership (SELEP) is seen by businesses to be a very good solution. Responding to calls for a more manageable economic partnership, KCC had a major role in establishing the Kent and Medway Economic Partnership. It was set up in autumn 2013 as an informal public-private body to drive forward growth and prosperity, with strong links to the SELEP. The Partnership is seen as a valuable vehicle for leading and driving the growth agenda. Relationships with SELEP and other sub-regional partnerships in SELEP are good. The range of stakeholders involved in the Partnership is seen to carry authority and to reflect the distinctive variety of business interests in Kent and Medway. Moreover, the direction and priorities in "Unlocking the Potential: Going for Growth" is giving businesses confidence that the leadership they are seeing not only focuses on the needs of Kent (and Medway) but this will also be translated into results on the ground such as new investment in infrastructure, jobs and housing.

Relationships with business support organisations throughout Kent have been nurtured effectively so that there is a clear common understanding about the economic context and priorities. Despite some challenging changes in contractual relationships, there is a strong sense of confidence in the County Council and its commitment to working with local partners who support the growth agenda.

While feedback from businesses was strongly supportive, they were keen for us to reflect back three areas for consideration in particular. They are:

- A general reminder to KCC and the ED team to keep listening to their changing needs and ambitions.
- The need to understand the fast changing needs of the cluster of Life Science and Biomedical businesses located in the Discovery Park. They told us that, as they develop and their competitive environment changes, the next step in their development is to develop access to specialist finance and venture capitalists in the City of London, as well as international markets. They require targeted support to achieve this
- For the Council to make the most of the knowledge it has acquired, particularly about biomedical industries which is a key contributor to the Gross Value Added (GVA) of the local area. Other centres in the UK and abroad are aware of the potential of this sector and value that can be realized by offering the right environment for its development and growth.

The delivery of economic growth is predicated on the development of housing. In the absence of a Structure Plan for Kent, it is the responsibility of District Councils to allocate sufficient housing numbers within their Local Plans. The peer team would

encourage KCC to consider how it might be able to work better with its District Council partners to deliver a county wide land allocation plan for Kent.

8. Health and social care integration

KCC and its partners have a strong vision for an integrated and streamlined health and social care system which should provide whole person care rather than treating specific problems separately. The vision is for these services to be delivered in the community, avoiding unnecessary and expensive hospital admissions. Kent's position as an Integration Pioneer provides a clear vision and a strong catalyst for taking this work forward.

There is strong political leadership for this work and discussions are taking place with the right people through the Kent Integrated Pioneer Steering Group. This group brings together KCC's adult social care service, CCGs, Public Health and, importantly, the NHS Trusts. Positively, clinicians are at the heart of the process, through strong involvement of the CCGs as well as the appointment of a GP as a clinical design director for the adult social care transformation programme within KCC. This is truly innovative and will ensure that the programme and project proposals are developed with strong clinical leadership and expertise.

Additionally KCC is investing appropriately to delivering health and social care integration. The Integration Pioneer and Better Care Fund (BCF) teams are resourced with dedicated project staff. The Council is also investing in care support, recognising the crucial role carers play in supporting adults with social care needs, as well as in prevention and is using its financial resources to invest in health prevention work in the north of the County. If this shows results it will be important for it to be rolled out across all of Kent's health economies.

The Health and Wellbeing Board (HWB) is increasingly regarded as a system leader by key stakeholders in the health and social care community. There is strong commitment to lead on the integration agenda and it is the HWB that holds the Health Integration Steering Group to account. The presence of the Leader on the HWB is regarded as a welcome, dynamic and challenging force to push for faster pace, while the Chair is ensuring that meetings are collegiate and inclusive. In taking the integration agenda forward the HWB needs to consider how it directly engages with the acute sector to ensure that they are full partners in taking this work forward.

The Kent HWB is supported by seven local boards which are modelled on the boundaries of the CCGs. District Councils are positive about the creation of the local health and wellbeing boards and each of them is supported by a Public Health Consultant. This provides a structure that can engage with an enormously complex health and social care system including providers and ensure that public health delivery can meet the variety of local needs and demands. However, within the context of the BCF and system integration, the role of the local health and wellbeing boards need to be clarified in order to ensure that all partners believe that they add value. They need to have a clear and distinct purpose which is complimentary to that of the county wide board.

There is a need for an overarching Kent plan to ensure consistency in the delivery of service improvements to residents. The peer team considers it important and correct that local areas are able to develop different health integration plans to meet the variety of local demand. However, it is equally important that there is a plan for Kent as a whole that delivers significant service improvements consistently to residents.

Like many other councils, in taking this agenda forward, there is a need to move rapidly from high level planning to demonstrate how the money will shift from the acute sector into community based services to realise your vision.

The vacancy of the Director of Public Health presents you with an opportunity to ensure public health works across all of the Council and the health economy. Our discussions highlighted that the transfer of public health teams from the two previous PCTs in East and West Kent was managed well but required staff to integrate into a new public health team as well as into the Council. We heard about good engagement with the local health and wellbeing boards as well as regeneration activities in Thanet and the Healthy Living Centre in the north of the County. There is keenness among public health staff to take a 'whole council' approach to public health and building relationships with District Councils. Effective leadership from the incoming Director of Public Health will be crucial to realise this vision. At the same time, all Corporate Directors need to embrace the opportunities that the public health staff and resources offer.

9. Other messages

There are a number of other messages which do not fall within the framework of the peer challenge questions but are important for us to feed back. They are:

- The member grant scheme is highly valued. Many members we spoke with recognise their budget as a very important resource to be able to support local projects or resolve local issues. They particularly value the non-bureaucratic and timely manner with which the grant operates.
- We met with District Council Chief Executives who highlighted what they perceive to be a breakdown in trust between themselves and Kent CC. This is a matter of serious concern. Whilst they were positive about some of the joint working, particularly economic growth and waste partnership, they unanimously felt that the relationship with them should be improved to support further joint working.
- By contrast the Chief Executive of Medway Council believes the relationship to be strong and fruitful. He values his relationship with the Head of Paid Service and felt that joint working including the work around the Kent/Medway LEP sub group to be one based on mutual respect.
- Staff, members and partners share concerns about the impact of moving towards a commissioning council on the voluntary and community sector.

10. Recommendations

Based on their findings, the peer challenge team had confidence in the Council's overall ability to achieve and deliver its objectives and we recommend that the council considers the following actions. There are a large number of recommendations which is a direct result of the very wide scope for the review. Many of our recommendations are affirmative of the Council's strong record of achievements. Others are actions we believe will develop your effectiveness and capacity to deliver future ambitions and plans.

1. Ensure that you continue to provide strong vision and direction but you facilitate an environment and culture that allows bottom-up creativity
2. Design and implement a communication strategy for the transformation programme for staff, partners and citizens
3. Develop a clearer understanding of the differentiation between commissioning, procurement and contract management and their appropriate place within the organisation
4. Demonstrate more granularity in your workforce strategy about the specific skills required for commissioning, procurement and contract management
5. Bring forward implementation plans alongside business plans to turn the vision for transformation more quickly into bankable savings
6. Use your financial systems to provide transparency of accurate and comprehensive financial information on the true costs of services at the right level
7. Ensure the Head of Paid Service has the authority to make the Council operate as 'One Council'
8. Continue to invest in member development and ensure that your member development programme is refreshed to reflect the role of a member in a commissioning council
9. Simplify the informal governance structure and empower more; but continue to involve members
10. Create a safe space where officers and members can discuss risk openly to foster innovation
11. Ensure that the corporate centre of the organisation is a consistent facilitator to transformation
12. Seriously consider the future relationship with your District Council Chief Executives to further support joint work

13. Develop a strategy for the Voluntary and Community Sector, as the Council changes its approach to service delivery and works to make savings
14. Continue to develop the health and wellbeing board to become the system leader for Kent ensuring that providers are fully engaged, and clarify the role and relationship of the local health and wellbeing boards to the Kent Board
15. Keep listening to the changing needs of your business community, and build on the opportunity created by the new Kent and Medway Economic Partnership to lead and drive the growth agenda

11. Next steps

The Council's political leadership and senior management will undoubtedly wish to reflect on these findings and suggestions before determining how the Council wishes to take things forward. As part of the Peer Challenge process, there is an offer of continued activity to support this. We made some suggestions about how this might be utilised, for example a follow-up visit after 9-12 months. I look forward to finalising the detail of that activity as soon as possible.

In the meantime we are keen to continue the relationship we have formed with the Council through the Peer Challenge to date. Heather Wills, Principal Adviser (South East England) is the main contact between the Council and the Local Government Association. Heather can be contacted at heather.wills@local.gov.uk and will provide access to our resources and any further support.

In the meantime, all of us connected with the Peer Challenge would like to wish the Council every success going forward. Once again, many thanks for inviting the Peer Challenge and to everyone involved for their participation.

Yours sincerely

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By: Paul Carter, Leader of the Council

To: County Council – 15 May 2014

Subject: Facing the Challenge: Closing down Bold Steps for Kent

Classification: Unrestricted

Summary: Bold Steps for Kent: The medium term plan until 2014/15 is KCC's current strategic statement. It has been successful in leading KCC through significant change over the past three years. As the council now moves into a phase of radical transformation, it is important that there is absolute clarity on the delivery of the Facing the Challenge transformation programme. Subsequently, County Council is being asked to close Bold Steps for Kent early and commission a new Strategic Commissioning Plan to underpin Facing the Challenge delivery. This paper reflects on the achievements of Bold Steps for Kent and the lessons that can be taken forward as we develop a new strategic statement for KCC.

Recommendations:

County Council is asked to:

- 1) Note the achievements of Bold Steps for Kent
- 2) Note the lessons learnt from Bold Steps for Kent
- 3) Agree the close down of Bold Steps for Kent

1. Introduction

1.1 'Bold Steps for Kent: The medium term plan until 2014/15' was approved by County Council in December 2010. It is KCC's strategic statement, setting out the direction and high-level priorities for the authority. KCC has had a series of four year strategic statements, including 'Next Four Years' which ran from 2002 to 2006 and 'Towards 2010', from 2006 to 2010. Strategic statements are included in the Policy Framework which is part of the Constitution, and must be debated and approved by County Council.

1.2 Bold Steps for Kent was written in 2010, at a time of significant change. 2010 saw the formation of the coalition government, with a high degree of uncertainty around the direction they would take in many areas that were to affect KCC. Before the 2010 Spending Review and Emergency Budget, KCC anticipated the need to make savings of between 25-40% over the financial years from 2011 to 2015, which proved to be remarkably prescient. The 2010 Spending Review introduced £81 billion in public spending cuts. It estimated that the average reduction in central government funding for local councils would be 26%, and after taking account of Council Tax projections would represent an overall 14% reduction in councils' budgets. Economic forecasts were suggesting that the financial downturn would hit councils hard from

2010 as the coalition government attempted to address the deficit and rebalance public spending, and that the economy would be in recovery by 2015. Subsequently, Bold Steps for Kent was a very different strategic statement to those that had gone before it, designed to shape KCC to manage the reduced funding and increased pressure on local government, and to respond to the opportunities and challenges of our customers' changing expectations.

1.3 Bold Steps for Kent has successfully provided strategic direction for the authority since 2010, and has proven to have numerous strengths, including:

a) Traction within and beyond KCC

Bold Steps for Kent, and in particular the three ambitions for Kent that it is written around, are widely known and referenced by Members, staff and external partners.

b) Leading the achievement of financial savings

Central to Bold Steps for Kent was the need to respond to the challenging financial climate. KCC estimated that it would need to save £340 million over the four year period to 2015 – the middle point between the best and worst case scenarios of 25% and 40% savings anticipated before the Spending Review 2010 and Emergency Budget. This proved to be an extremely accurate prediction of the required savings. Through the direction set out in Bold Steps for Kent, along with the Change to Keep Succeeding programme, KCC has delivered savings of £269 million over the three financial years to 2013/14.

c) Accurately predicting the policy agenda

Bold Steps for Kent anticipated the national policy agenda in many areas of service delivery, and the challenges that KCC would face. Some of the areas where it predicted the agenda ahead of its time include:

- **Troubled Families** – Bold Steps for Kent made a commitment to tackle high-cost disruptive families, taking a firm and coordinated approach across agencies to require a change in behaviour through in-depth intervention, building on the experience and learning from the pilot work within the Community Budgets agenda. The following year, after the riots of 2011, government introduced the Troubled Families programme to turn around the 120,000 highest cost families across the country. This involves a coordinated approach across agencies to provide intensive intervention to tackle issues including antisocial behaviour and crime, school truancy and worklessness. For Kent this means working with 2,560 families. With our partners we are making good progress, with 560 families already turned around as at October 2013, and a further 2153 being actively worked with.
- **School support services** – Bold Steps was written at the start of significant educational reform. We recognised that we would need to build a new relationship with schools in order to support them in their new freedoms and continue to promote good educational attainment and best practice across schools. This included a commitment to provide school support services, using our trading experience and expertise to offer comprehensive services to schools. EduKent was established in 2011 and provides services to schools,

academies and local authorities across the country. Since Bold Steps was written, educational reform has continued at pace, and many more local authority areas are developing traded school support services.

- **Community Right to Challenge** – Bold Steps for Kent committed to introduce a ‘Right to Bid’ to encourage individuals or groups from the private, public or voluntary sector to put forward ideas to deliver services in a better way. This included KCC staff with a business case to deliver their service through arms-length arrangements. This commitment recognised that KCC does not have the monopoly on ideas and solutions, and that opening up the market to invite innovative ways of doing things is a positive way to drive greater choice and value for money. Through the Localism Act (2011) government introduced the Community Right to Challenge, giving voluntary and community groups and members of local authority staff the right to submit bids to councils to take over the running of services. KCC has taken a proportionate and sensible approach to managing the Right to Challenge, preserving the original aims of our Right to Bid in encouraging interested groups to talk to us about their ideas.
- **Promoting social value** – Perhaps most significantly, Bold Steps for Kent predicted the social value agenda, which has become an important and much debated issue for local government. Bold Steps committed to maximising the social and community benefit from our procurement of goods and services. It recognised that as one of the largest buyers in the Kent economy, we have significant spending power to leverage wider social and community benefit from contracts where it makes sense to do so. In Bold Steps we committed to ensuring our procurement system maximises the opportunities for social and community value, alongside other changes to our procurement practices to seek the most efficient provision of goods and services possible.

The Public Services (Social Value) Act was enacted in 2012. In a similar way to our Bold Steps commitments, it puts into action government’s intention to encourage diversity of provision within public services and particularly to open up public services to social providers, including voluntary and community organisations, which have sometimes been disadvantaged by procurement practices that emphasise only best value. KCC was in good shape to respond to the legislative requirements through our already established Category Management approach, allowing social value to be reflected on a case-by-case basis in tender specifications and contracts. There are several examples where this approach has delivered both high social value for the county and efficient value for money, including in Highways, Substance Misuse and Youth Service contracts.

1.4 Bold Steps for Kent has been successful in anticipating the financial and policy challenges that would face KCC over the four year period. However, it could not have predicted the scale of those challenges. The 2013 spending review announced further spending cuts for 2015-16, including a further 13% cut to baseline funding for local authorities in cash terms. This equated to reductions of a similar magnitude to 2011/12, when the original reductions under the 2010 Spending Review were intended to be front-loaded. Government has had to extend the deadline for eliminating the structural deficit to 2017/18, and overall we are expecting reductions in the period up to 2018 to continue at a similar scale as we have had to make through the 2010 Spending Review period, meaning we are only about halfway

through this journey of budget reductions. In the context of a larger and longer-term financial challenge facing us, KCC must now enter into a period of radical and transformational change to ensure that our services continue to meet the needs of our service users and communities in the coming years. Facing the Challenge is a natural extension of Bold Steps for Kent, building on the priorities for Kent's communities and new delivery models it set out, but with the added clarity and focus required to deliver the scale and pace of transformation that is now essential.

1.5 Given the context we are in, the overriding priority of the council must be to deliver the transformation agenda set out within Facing the Challenge, and this is now the defacto strategic driver for KCC. However, as referenced in the Facing the Challenge progress report to County Council in March 2014, lessons learnt from Phase 1 of transformation suggest that there is some confusion about what the strategic driver for the authority is, as both Bold Steps for Kent and Facing the Challenge have been running concurrently. Subsequently, in order to provide absolute clarity for Members and staff, County Council's approval is sought to close Bold Steps for Kent nine months early. This paper seeks to review the council's achievements in delivering Bold Steps for Kent, gather the lessons that can be learned, and look forward to the development of a new strategic statement for the council to underpin Facing the Challenge transformation and the move towards becoming a strategic commissioning authority.

2. Bold Steps for Kent themes

2.1 Bold Steps for Kent comprised of a series of themes. Over the last three years, the council has made significant progress in delivering many of the commitments set out within the themes. In a time of such radical change nationally and locally, it is also inevitable that in some cases priorities have needed to shift or external events have overtaken. It is important to recognise how much has been delivered by staff in the face of considerable pressures. The following sections provide a summary of some of the achievements under each of the Bold Steps themes.

2.2 Bold Steps for Residents

(1) Bold Steps for Residents is about putting power in the hands of Kent's communities and the people who use KCC's services. An integral part of this theme is the personalisation of services, recognising that individuals and families are best placed to understand their own needs and choose how they receive their care and support services. The Kent Card has been used in adult social care for a number of years and we have continued to find innovative ways to extend its use. The new Kent Card contract will allow KCC to move towards a single card for all payment related transactions in social care, including direct payments for adults and children, and payments to asylum seekers. Over the last year we have worked with South Kent Coast CCG to test Integrated Budgets for health and social care through the Kent Card for people with long-term conditions. This has reduced duplication and led to good health outcomes for the patients. Separately, Kent is also part of the SE7 Pathfinder group who are testing out proposals in the Children and Families Act (2014) to improve support for children with Special Educational Needs and Disabilities, including the use of personal budgets and personalised, fully integrated education, health and care plans.

(2) Personalisation is central to the transformation of adult social care, and is being given added emphasis by the Care Bill (2013) requiring councils to diversify the local social care market and provide greater choice and personalisation. A good example of how Bold Steps has driven person-centred services is the award winning Broadmeadow Integrated Care Centre for people with dementia. Broadmeadow offers innovative day support services, respite care and use of tele-technology within residential care. It forms a centrepiece of the Kent Integrated Care and Support Pioneer programme. In addition, the Kent Enablement at Home service provides short-term support to help people gain maximum independence and daily living skills following illness or injury. Through this service we are helping people to live independent lives in their own homes. 56% of people coming through the service do not require any social care support afterwards.

(3) Another priority of Bold Steps is to promote easier and more seamless access to our services. We have improved and streamlined assessment practices in many areas to ensure that people who need our services, and the services of other agencies, get them more quickly and in a more co-ordinated way. Our aim has been that wherever possible, people only need to tell their story once. This includes the use of the Family Common Assessment tool to co-ordinate multiagency support around the needs of the entire family, and this approach is being successfully used to deliver the Troubled Families programme. Between 2010 and 2013, use of the Common Assessment tool has more than doubled to 3,517 and over 2,500 children are now supported through a Team Around the Family approach. We have also seen a 45% increase in Children's Centres using the tool, and use by GPs has also increased by nearly 10% in the past year. The new Early Help and Preventative Services Division in Education and Young People Services will continue to drive seamless, family-centred support ensuring that families get the right help at the right time reducing the need for more costly and specialist services.

(4) Both adults' and children's social care teams are part of the multi-agency Central Referral Unit partnership, with Police, Health and Probation, open 24/7 to provide immediate co-ordinated support. Streamlining assessment is an important part of our Adults Transformation programme. Working with Newton Europe, the Adult Social Care Team in Dover are piloting the use of streamlined processes, which has already led to an 80% reduction in time from initial contact to assessment (from an average of 28 to 6 days). Building on this success, the pilot is being extended to west Kent areas, and initial indications show similar benefits are being achieved.

(5) People expect to be able to access information and services quickly and easily through a variety of channels, including digitally. We have made progress in channel shifting many of our services to the web, and in March 2014 launched the new KCC website which is designed around the way in which customers want to search for information and carry out transactions. It will allow people to find what they need quickly and easily, whatever device they access the website from. We will continue to improve the website in response to feedback to ensure that it meets our customers' expectations. We now publish online as standard a variety of financial and performance data about the council, including salaries, expenses and spending over £500, as well as the Quarterly Performance Report, so that residents are empowered to hold KCC to account. As part of ongoing transformation, we will continue to explore innovative, cost effective delivery options for our customer facing services, including libraries and Gateway.

(6) As part of the commitment to put more power in the hands of local communities, Bold Steps included proposals to introduce area based governance for public services, working with local partners, in the form of Locality Boards and local place-based commissioning. This was a highly ambitious change to the governance, commissioning and delivery of services across partners in a short period of time that was dependent on the actions and decisions of various partners as well as KCC. Despite excellent individual examples of closer joint working across many areas of service, this ambition has not been fully realised.

(7) Bold Steps also committed to achieving value for money for our residents, squeezing every pound of public spending and keeping our spending within the Kent economy wherever possible. Improvements in our procurement practices and the introduction of a Category Management approach have already been mentioned, and will deliver total contract savings of just under £18 million between April 2012 and March 2015. The Kent Business Portal has been established for advertising all of KCC's contracts, and the focus on procuring from Kent businesses has seen an increase in the percentage of KCC contracts delivered by local businesses. In 2012/13, KCC's total spend was approximately £1 billion, of which £568 million was spent with Kent businesses, £439 million with SMEs. Also taking into account local subcontractors, we will exceed the Bold Steps target of 60% spend with local businesses this year.

2.3 Bold Steps for Education

(1) Bold Steps for Kent recognised the changing role of the local authority in education, driven by government reforms that aim to drive up standards and increase parental choice through handing decision making power and funding to schools and diversifying the range of education provision. In order to deliver the Bold Steps for Education priorities, an Education, Learning and Skills Vision and Priorities for Improvement Plan was drawn up in 2012, in consultation with education leaders. Our strategic priorities are:

- Ensure all pupils meet their full potential;
- Shape education and skills provision around the needs of the Kent economy; and
- Improve services and outcomes for the most vulnerable young people in Kent.

(2) The plan is annually updated to review progress against key strategic developments, identify the challenges for the future and establish annual key priorities.

(3) Now even more so than in 2010, the world is changing fast, expectations are rising rapidly and a more diverse education system is developing quickly. The UK must achieve a more educated and skilled workforce, and we cannot afford to lose the potential of so many young people who, if they are not educated and skilled enough, will lead less productive and satisfying lives. In this context, the role of the local authority is to be more ambitious, focused and strategic in bringing about educational transformation for Kent by being a strong and influential partner with schools and other stakeholders and providers.

(4) At the cornerstone of our new relationship with schools is the establishment of Kent Association of Headteachers (KAH), which supports the development of school

collaborative partnerships and wider networks for school to school support. KAH aims to create a network of excellence so that all Kent schools are able to improve and achieve good and outstanding performance in Ofsted inspections. In order to ensure that best practice and expertise is shared between schools, we have developed a system of school to school collaboration (Kent Learning Collaboratives) and there are now 60 of these improvement hubs, involving nearly 500 schools with clear partnership agreements sharply focused on improving leadership, the quality of teaching and standards of attainment. Collaborative activity identified by the schools is supported by funding from the Kent School Funding Forum, who committed £5.2 million in 2012/13 and a further £2.4 million in 2013/14.

(5) This focus on the self-improving school system is paying off in Kent. The percentage of schools rated as Good or better by Ofsted has improved from 59.2% in 2010 to 74% in March 2014. We have also narrowed the gap with the national average of schools rated Good or better. Pupil performance at all Key Stages is also improving, and in 2012/13, results improved for children at every stage of education. At Key Stage 1, we met or surpassed our targets for Level 2B and above in reading, writing and maths during 2013. At Key Stage 2, we saw a 2% improvement in children attaining Level 4 in reading, writing and maths combined in 2013, which remains 2% below the national average but the gap has closed since 2010. At Key Stage 4, there was a good improvement in children achieving 5 or more A*-C GCSE grades including English and maths, from 61% in 2012 to 63% in 2013, which is ahead of the national average. Looking over the lifetime of Bold Steps, we have made continued improvements in attainment.

(6) In order to ensure that children enter primary school at the appropriate level of development, we have continued to secure high quality early years education for all 3 and 4 year olds, with targeted provision for disadvantaged 2 year olds. Progress has been good – in 2013, 64% of children at early years foundation stage achieved a good level of development, which is 12% higher than the national average. Achieving the aims of the Early Years and Childcare Strategy will enable us to improve and extend the role of early years provision in early intervention and prevention in order to ensure better continuity of provision and services across the 0 – 5 age range, ensure an increasing number of children are school ready at the end of the Early Years Foundation Stage and mitigate the effect of poverty, inequality and disadvantage through the provision of high quality early education and childcare, including support for parents and carers and narrowing early development achievement gaps.

(7) As we accelerate the rate of progress in attainment overall, we need to work even harder to close the gaps that exist for children from vulnerable groups – those with Special Educational Needs (SEN), Children in Care and children eligible for free school meals. Standards are improving at all Key Stages. For example, between 2010 and 2013, we have seen a 7% improvement in pupils who are eligible for free school meals achieving 5 good GCSEs including in English and maths. However, progress is slower in narrowing the gaps for children with SEN. In spite of improvements in the outcomes for Children in Care, their achievement gap continues to be the widest of any pupil group, and this is a key priority for 2014. We have developed our Strategy for Children and Young People with Special Educational Needs and Disabilities (2013-2016) to improve the outcomes for children with SEN and disabilities in educational attainment, health and wellbeing. There has been and

continues to be significant investment in Kent Special Schools which has helped to ensure that 83% of Special Schools are good or outstanding.

(8) The Education Commissioning Plan 2013-18 sets out how we carry out our responsibility for ensuring there are sufficient early years and school places of high quality, in the right place for all learners. The plan sets out in detail how we will meet the future need for education provision in the county. Our projections show the need for substantial expansion of school places in the next several years. In the 2012-13 school year we achieved our aim of creating an extra 22 forms of entry in Primary Schools and four forms of entry in Secondary Schools, plus 362 temporary places to meet short-term pressures for Reception aged pupils.

(9) Bold Steps committed to agreeing a new financial deal with schools, devolving funding where possible. 90% of school budgets are now based on pupil numbers and other related factors, under the government's changes to the National Funding Formula. Though KCC welcomes the delegation of funding to schools, government's simplification of the budget for schools is creating problems for some Kent schools with low rolls, and KCC will take the opportunity to stand up for Kent's schools in the current DFE consultation. We are working with schools to promote decision making and at the local level, including commissioning to pool and target resources to meet local needs in districts. Decision making and resources continue to be devolved and delegated to schools and school collaboratives, with lead schools in each district taking on the management of the Specialist Teaching and Learning Service and Pupil Referral Units and Alternative Curriculum provision. Further devolved responsibilities for SEND provision will follow.

(10) As committed to in Bold Steps, we have developed EduKent, which is Kent's trading vehicle for the provision of support services to schools that they can choose to access. EduKent provides 16 key services to over 800 customers, which are mostly schools and academies in the county but also a small and growing number outside Kent. These traded services have been successful in generating income of approximately £19 million per annum and continue to grow.

(11) As the schools system becomes more diverse and autonomous, the need for KCC to continue to provide strong strategic leadership becomes ever more critical. Key amongst our core education responsibilities is the duty to robustly challenge underperformance in schools where it exists. We have developed a School Improvement Strategy, supported by the Kent Association of Headteachers, which sets out how KCC challenges and supports schools where there is a need to improve, and when we will intervene to ensure high standards of pupil achievement. When KCC intervenes, prompt decisive action is taken to turn around the school and tailor made packages of support are brokered and delivered, often in partnership with our good and outstanding school leaders, to secure rapid school improvement and put them on a sustainable improvement path.

2.4 Bold Steps for Transport

(1) Work around this theme has been focused on delivering the strategic transport priorities set out in Growth Without Gridlock, our integrated transport strategy, to ensure that Kent's infrastructure supports economic growth. We committed to developing innovative new financial models to pay for strategic transport infrastructure. We have successfully influenced government to introduce an HGV

road user charge for international lorries which was introduced on 1 April 2014. However we are disappointed that government have chosen not to passport any of this money back to KCC, and will continue to take opportunities to lobby on this. We will continue to push for the introduction of a UK Fuel Loyalty Card.

(2) We are also disappointed that the Treasury have not facilitated the introduction of Tax Increment Financing, but we continue to explore other options for funding transport infrastructure to unlock development. Working with district partners, we are maximising the benefit to the county of the new Community Infrastructure Levy (CIL) for managing developer contributions for infrastructure. CIL charging schedules are being agreed with each District, with a number already confirmed. As part of this work, we have developed a powerful infrastructure planning tool, the Integrated Infrastructure and Finance Model (IIFM), outlined in section 2.10.

(3) On strategic transport projects, we have secured government commitment to progress the A21 Dualling by demonstrating that we could deliver the scheme for one third less than the Highways Agency's estimate. KCC officers and members gave evidence at the public inquiry in May 2013. Work is due to commence in Autumn 2014. In Bold Steps we committed to press the case for a Third Thames Crossing, and have demonstrated that congestion from the existing Dartford crossings is the biggest blockage to growth and prosperity in the South East. KCC put forward a robust case to the public consultation in summer 2013 for the crossing to be located east of Gravesend, the option that provides most congestion relief and economic benefit as well as potentially creating a new national strategic transport corridor between Dover and the Midlands and so benefiting the national economy. Government are continuing to consider this location as well as another crossing at Dartford while dropping an option for the Swanscombe Peninsula, and we will continue to call for the east of Gravesend option. We have also successfully lobbied for the introduction of free-flow technology at the Dartford Crossing to ease congestion, and this will be in place by October 2014.

(4) In addressing the issues caused across the county by Operation Stack as well as inappropriate overnight lorry parking, we are working with Districts to identify a network of low-cost commercial lorry parks that will relieve these problems and the impacts it has for Kent communities and businesses. In respect of this, we have secured £12.7m reduced rate borrowing through the Public Works Loan Board to help us deliver this initiative.

East Kent has particular regeneration needs, and Bold Steps made several commitments to deliver radical transport options to support this. We have delivered the £87 million East Kent Access Road to support growth at the Discovery Park Enterprise Zone and Isle of Thanet. We have secured investment through the Regional Growth Fund - £5 million in Phase 1 with a further £6.8 million secured for Phase 2, to improve rail line speeds to Ramsgate, taking up to 10 minutes off the journey time to London. We are also committed to delivering Thanet Parkway Station that will serve Discovery Park and a number of surrounding business parks and significantly improve these areas for inward investment as well as increasing the employment catchment area for East Kent residents. We have carried out initial technical work on the optimum location and refreshed the business case for the station. We will continue to work in partnership with Network Rail, Southeastern, the District authorities and the Department for Transport in delivering this project.

(5) We have robustly opposed proposals for a new hub airport in the Thames Estuary by producing Bold Steps for Aviation, which clearly calls for maximising existing regional airport capacity along with some airport expansion to cater for the growing aviation demand and improving surface access connections particularly by rail. Our work in this area has included presenting evidence to the Transport Select Committee on this subject.

(6) We have been successful in securing £5m through the Department for Transport's Local Pinch Point Programme for two schemes in the county that will directly relieve bottlenecks and unlock development (£3.5m for North Farm, Tunbridge Wells and £1.56m for Westwood Cross in Thanet). We have also secured a further £25m for two major schemes (M20 Junction 10a and A226 London Road/B255 St Clements Way improvement in Gravesend) through Local Transport Body funding. This latter funding mechanism has now been subsumed into the Single Local Growth Fund being devolved by Central Government and available through Local Enterprise Partnerships on the basis of their Strategic Economic Plan. As part of this funding "growth deal" negotiation with Government, we have bid for £360m to implement a programme of transport schemes across Kent and Medway vital for delivering homes and jobs from 2015 onwards.

(7) We have made good progress in delivering an integrated public transport network to make it an attractive option for Kent residents. We have continued to provide the Kent Freedom Pass for young people and introduced the Kent 16+ travel card, supporting young people to access education and training. Given the financial pressures facing us, we have developed a pragmatic solution to continue to offer this much-valued discretionary service. The new pass for pupils aged 11-16, the Young Person's Travel Pass, will continue to offer free bus travel on week days during the academic year at a cost of cost £200 per year (£100 for low income families and free for looked after children and young carers), with the option for families to spread the cost in two halves over the year. We continue to work in partnership with District and Borough Councils and the major commercial bus operators in eight voluntary Quality Bus Partnerships and one Statutory Quality Partnership Scheme to deliver improvements to the bus network. Our commitment to partnership working has led to both Arriva and Stagecoach investing in new vehicles for use in Kent and enhancements to frequencies on key inter-urban corridors, forging of new connections, and the delivery of a more robust bus network.

(8) We have continued to robustly press for better rail service for Kent passengers based on the Rail Action Plan for Kent. This has been a key part of our discussions with Department for Transport and the rail operators in seeking rail service improvements and has contributed to KCC being recognised as a voice of authority on rail matters for the South East. The extension of high-speed services from London to Deal and Sandwich, funded by KCC between September 2011 and March 2014, has led to the Department for Transport including this service in the new franchise from April 2014, at no further cost to KCC as well as the introduction of off-peak high speed services on this route from January 2015. We have also succeeded in obtaining Department for Transport agreement that the specification for the new Thameslink franchise will include a direct service between Maidstone East and the Thameslink City stations from May 2018. In addition, a business case has been prepared to assess the viability of the proposed direct service from Ashford to Gatwick. This work has concluded that such a service would not be commercially

viable and so this proposal will no longer be included in the specification for the Direct Award for the Southeastern franchise area.

(9) We have continued to work closely with our European partners on the Transmanche Metro project, part of which addresses the need for an upgrade to the signalling deployed on the Ashford Spurs which link HS1 with Ashford International Station. We have succeeded in obtaining match funding of £260,000 from the EU, which together with match funding from our stakeholders will fund the planning and design work by Network Rail. We continue to hold our successful annual Rail Summits for rail user groups, districts, other stakeholders and the rail industry.

2.5 **Bold Steps for Health**

(1) The last three years has seen significant reform in health, led by the Health and Social Care Act 2012. The direction had been set in 2010, and Bold Steps for Kent committed to supporting GPs in their new role as commissioners, forming a team around the patient coordinated by their GP. KCC has moved to the forefront of local government thinking about how we can reshape community health provision and integrate health and social care commissioning to shift resources from the acute sector to the primary and community sectors. KCC has developed a new, direct relationship with GPs which is allowing us to take innovative steps and facilitate conversations between commissioners and providers.

(2) From 2011, KCC was an early implementer for Health and Wellbeing Boards, and established the South Kent Coast Shadow Health and Wellbeing Board at local level. We also established the Kent Health Commission, working closely with GPs in Dover and Shepway to ensure that Kent takes full advantage of the opportunities presented by the reforms. The Commission piloted new approaches to managing long-term conditions and shaped thinking around stimulating the health provider market. The Commission reported to the Secretary of State in 2012 and this was well-received.

(3) Since 2012, we have actively supported the development of Clinical Commissioning Groups (CCG), and have established Health and Wellbeing Boards at CCG level to bring together GP and adult social care commissioners, providers and local elected members. Our discussion document Delivering Better Healthcare for Kent in 2013 brought together our thinking on how radical health reform can lead to better use of public money and better outcomes for people. We have published and continued to update the Joint Strategic Needs Assessment for Kent, and have published the first Joint Health and Wellbeing Strategy for Kent, with the refreshed three-year Strategy due to be agreed in July 2014. KCC pioneered Health Watch, which has been rolled out across the county to ensure that the voice of the patient is heard. Health Watch Kent is promoting choice and service quality and engaging communities.

(4) Recognising our extensive track record in health and social care integration, KCC was chosen as a Pioneer area in the Department of Health's Integration Pioneer Programme, which aims to establish new ways of delivering coordinated care. Through the Pioneer work, over the next five years, we aim to re-design models of care to make a real difference to the way people experience health and social care in Kent. By bringing together CCGs, KCC, District Councils, acute services and the voluntary sector, the aim is to move to care provision that will promote greater

independence for patients, whilst reducing hospital and care home admissions. In addition, a new workforce with the skills to deliver integrated care will be recruited. Patients will have access to 24/7 community based care, ensuring they are looked after well but do not need to go to hospital. A patient-held care record will ensure the patient is in control of the information they have to manage their condition in the best way possible. Patients will also have greater flexibility and freedom to source the services they need through a fully integrated personal budget covering health and social care services. We will use innovative approaches including risk stratification and 'Year of Care' commissioning for long-term conditions. Through better integration we can deliver comprehensive, 24/7 community health services, reducing demand on hospitals. By shifting just 10% of funding from acute to community care in Kent, we can free up £170 million a year to invest in community services.

(5) In 2013, Government launched a 'call to action', recognising the enormous scale of the challenge they face in responding to the increasing demands on the NHS and the funding gap this will create. Integration of health and social care is the best way to tackle this challenge, and the Better Care Fund was created, supporting the full integration of services by 2018, with challenging targets to hit by 2016. This has accelerated the pace and scale of integration that KCC had already begun and will continue through our Pioneer work. Through the Kent Better Care Fund proposal, a pooled fund of £122 million from existing resources has been identified to support integration in the county.

(6) The transfer of Public Health to KCC as part of the wider health reforms was managed smoothly, and we are already starting to make the most of the opportunity it presents to promote the preventative approach to public health that Bold Steps committed to. We successfully lobbied government for a more generous funding settlement for Public Health, allowing us to spend significantly more per head on Kent's residents. Interventions will continue to focus on preventative approaches that consider a person's entire health and wellbeing needs, to support people to make better lifestyle choices and where possible prevent future health problems. Some of our successful Public Health initiatives include HOUSE, an innovative way to promote healthy behaviours to young people which continues to expand across the county, and ActivMobs to promote healthy living and exercise through friendships and networks. Tackling health inequalities remains at the heart of Public Health work, and we have published 'Mind the Gap', Kent's health inequalities action plan, which is driving improvements in all areas that affect people's health, including work, housing, access to health services and a healthy start for all children. It has excellent traction with partners and has been complemented by a series of District and need-specific action plans. We were also the first local authority to introduce a health inequalities impact assessment tool to ensure our policies promote fairness and act to narrow the gap in health inequalities.

(7) Figures show that mortality rates in the county continue to improve and over the last year have moved closer to the regional average, with the gap in deaths per 100,000 population reducing from 542.4 in 2009 to 469.9 in 2012. Importantly, mortality that is considered to be avoidable through better healthcare has also decreased from 87.4 per 100,000 in 2009 to 75.7 in 2012 and again we have significantly narrowed the gap with the South East average.

2.6 Bold Steps for Business and the Economy

(1) Bold Steps for Business and the Economy is about supporting the business community to lead Kent's return to growth by helping to create the conditions in which business and entrepreneurship flourishes. Since 2009, the number of active business enterprises in the county has grown by 1.2%, which is close to the South East average of 1.3%. Over the past three years, KCC has delivered many successes in this area, as recognised by the high praise for our economic development activities in the recent LGA Peer Challenge. We have secured £60.5 million from the Government's Regional Growth Fund to establish three access to finance schemes for local businesses - Expansion East Kent, TIGER in North Kent and Escalate in West Kent. So far we have committed funds that will secure 3,250 jobs.

(2) In support of business and the economy, KCC has successfully responded to a number of major challenges that could not have been foreseen when Bold Steps was written. The most significant of these was the withdrawal of Pfizer from its Sandwich base in 2011, directly threatening 2,400 jobs. The Taskforce led by Paul Carter has delivered a package of measures including the designation of Discovery Park as an Enterprise Zone, now one of the county's most successful, creating or safeguarding over 1,300 jobs. It also secured over £20 million in public and private funding to protect the site against flood risk, and a £5 million contribution through the Regional Growth Fund for Phase 1 of line speed improvements to Ramsgate.

(3) Building a new relationship with business was a key commitment in Bold Steps. This has included taking a sector-based approach to engage local businesses and tailor the assistance we provide. We have delivered a series of sector conversations to identify barriers to growth, leading to a series of programmes to support business. High Growth Kent provides coaching to businesses with high growth potential, and since 2011 has supported 262 Kent and Medway businesses, helping them attract £39 million in private investment and creating 413 jobs. We have also established the School for Creative Start-ups, enabling the creation of 85 businesses since 2013, and the Kent International Business initiative to help Kent businesses trade overseas. In the four year period up to April 2014, an average of 11,280 jobs per year were created and safeguarded through Locate in Kent, and Visit Kent has continued to assist the visitor economy to grow.

(4) Underpinning our engagement with business, we provide secretariat support for Business Advisory Board, a successful private sector forum also attended by BIS and the Bank of England. The increased direct contact that we have with business has strengthened our understanding of business priorities. Building on this, a programme of roundtable conversations with businesses in key sectors has informed the development of Unlocking the Potential - the new Growth Strategy for the County as well as the update of Growth without Gridlock in Kent and Medway, the county's transport delivery plan. This joint working with business has been cemented by the establishment of the Kent and Medway Economic Partnership (KMEP) as the county's primary strategic economic partnership body. Bringing together business, local government and the higher and further education sectors, KMEP has helped to determine transport and economic growth priorities and provides a strong public-private voice for Kent.

(5) In addition, KCC continues to attract the maximum possible investment into the country through the South East LEP, England's largest local enterprise partnership. We have worked with our neighbours in Essex and East Sussex to ensure that the LEP is focused on the major strategic issues for the South East. The recently developed South East LEP Growth Deal and Strategic Economic Plan makes the case for Local Growth Fund investment from Government of £501m for Kent and Medway over six years to support the delivery of infrastructure that could ultimately enable 165,000 jobs and nearly 130,000 houses. The Growth Deal includes establishing a revolving property investment fund as well as capital investment in further education facilities.

(6) Another key commitment in Bold Steps is to promote the county's key growth areas. Progress towards achieving the Thames Gateway ambition has been slower than anticipated due to the economic downturn. However, KCC has worked with Medway and the North Kent Districts to map in detail the barriers to delivery on all major sites in the Thames Gateway and we have worked with Government and the private sector to secure vital transport infrastructure to enable the first phase of delivery at Eastern Quarry to come forward. The Government has reaffirmed its commitment to the Thames Gateway with the designation of Ebbsfleet as a new Garden City and we are working closely with business, Government and District colleagues to establish a new Urban Development Corporation for the Garden City.

(7) Bold Steps for Kent recognised that digital infrastructure is of vital importance to Kent's economic future, especially in rural parts of the county. KCC has matched £9.87 million investment from Broadband Delivery UK, secured over £20 million from the private sector along with an additional £1.6 million of public funding from other external funding bids. Kent has been of the first counties in the country to deliver broadband to areas of market failure and our project work will ensure the delivery of superfast broadband to 91% of the population by the end of 2015, with all areas being able to receive a basic broadband service of at least 2mb. We are also working to optimise take-up of these services and associated technologies.

2.7 Bold Steps for Employment and Skills

(1) Bold Steps for Kent committed to unlocking talent to support the Kent economy, matching education and skills to the needs of the local economy. The level of workforce skills in Kent is showing consistent long-term improvement and we are improving at much the same rate as the regional average. The percentage of the population aged 16 to 64 with at least a level three NVQ or equivalent qualification has risen from 49.7% in 2010 to 55.4% in 2013.

(2) Ensuring that Kent's young people have the necessary skills and preparation for employment is essential. The 14-24 Strategy was launched in 2013 to link the world of learning to the world of work more successfully, and to bring about more rapid transformation in young people's skills, qualifications and employability. It is overseen by a county Employment, Learning and Skills Board that brings together council, providers and other partners. While performance at post-16 as a whole improved in 2013, we are behind the national average on some measures. We are working with schools to develop new post-16 curriculum options that will improve participation and attainment, including the "2-1-2" model that offers two days of key skills (maths and English,) one day of work experience and two days of vocational learning. 100 post-16 learners are participating in this pilot to July 2014. We have also created post-16

District Data Packs which provide detailed information on the local curriculum offer and employment opportunities, highlighting any gaps, so that schools, colleges and training providers can plan provision to address the gaps. A number of schools have already realigned their post-16 offer based on information from the data packs, and schools are also finding them useful in tailoring their careers advice to the local jobs market. Through our Community Learning and Skills service we promote skills development for young people through the Work Ready Extra programme to increase their basic and employability skills. 550 unemployed / inactive young people aged 16 to 23 have accessed the programme, with 65% of these progressing to employment with training or further learning.

(3) In 2012 KCC launched the Kent Employment Programme (KEP), providing grants for local businesses of all sizes to employ young people in apprenticeships. Since April 2012, KEP has engaged with 915 SMEs in the county, resulting in 602 supported apprenticeship starts across the county. We want to further expand KEP to provide an important brokerage service for SMEs that would not otherwise have the capacity to arrange taking on apprentices. The KCC Apprenticeships programme has exceeded its Bold Steps target for the provision of in-house apprenticeships each year. We are on track to exceed this year's target of 120 new KCC apprenticeships by August 2014, and have placed 694 internal apprenticeships to date. Overall Kent is leading the way in apprenticeships, with apprenticeship starts increasing faster in the Kent than the rest of the South East region. From 2009/10 to 2012/13, there have been 9,870 16-18 year olds taking up apprenticeships, while in total there were 36,880 new apprenticeships starts across all ages for this period.

(4) In order to support young people in a dynamic jobs market, we have invested in developing young people's careers management skills so that they can identify career opportunities and tailor their learning and development. We have established KentChoices4U, the county's online applications and careers portal. 80% of target pupils (13,063 young people) are using the system to apply for courses and access information about careers and post 16 options. It is the largest and most used site of its type in the country, and we plan to extend the website to 17 and 18 year olds as well as graduates. We also plan to expand its functionality to offer a CV builder and other tools, and also to allow training providers and companies to be able to advertise their employment and training offer. In addition, we are encouraging specific vulnerable groups to use the portal and increasing numbers of young people who are either educated at home or in Pupil Referral Units are beginning to use the portal to apply for post-16 options. The annual two-day KentChoices Live event, which in 2014 attracted 4,500 young people, offers an opportunity for young people to meet employers and gain information about possible careers through interactive employer and provider exhibits and master classes.

(5) As well as promoting skills and employability for young people, adult education provision is another important route to improving individual prosperity and supporting the local economy, and is led by KCC's Community Learning and Skills (CLS) service. CLS has worked with schools, Children's Centres and other community organisations to provide externally funded free Family Learning courses for 8,163 families living in some of the most disadvantaged communities in Kent. These courses enhance parent skills, support pupil attainment, enable adults to help their children with homework and provide a first step to gaining qualifications and developing employability skills. In addition, 1867 low-waged or unemployed adults have taken part in free courses provided by CLS in partnership with organisations

across the voluntary and community sector aimed at improving their employment prospects, encouraging volunteering and progression to further learning, especially work-related qualifications. Per annum 3,200 young people and adults enrol at CLS Skills Plus Centres to improve their employment prospects by boosting their maths, English and IT skills. Of the 3,200 people accessing these courses, 95% have achieved their intended outcome.

2.8 Bold Steps to Tackle Disadvantage

(1) Bold Steps for Kent stated that the best way to tackle disadvantage is to address worklessness and promote economic growth, so people can earn a salary and support themselves and their families, providing opportunity rather than supporting dependency. KCC's significant achievements in developing the Kent economy and facilitating job creation are covered in section 2.6. Since 2010, government's welfare reform programme has been introduced, albeit with various changes and delays. KCC, working with partners, has played a role in understanding the impacts of these changes on local people, and supporting them to manage without falling into further disadvantage. This has included the joint commissioning of an online benefits calculator to help people identify the impact of the reforms and how much better off they would be in work and this has been used by over 1000 people in the first year.

(2) In response to the localisation of council tax benefit, KCC worked with District councils to develop a shared approach to managing the 10% reduction in funding. We have also been working to reduce the discounts and exemptions on empty properties and other ways to maximise the Council Tax base and collection rates. This can be evidenced in both the higher Council Tax base we have seen reflected in the budget and the Collection Fund surpluses. KCC has also developed the Kent Support and Assistance Service (KSAS), following the closure of the DWP Community Care Grants and Crisis Loans. Rather than giving out money, KSAS uses the reduced funding that has been transferred from government to provide the items that individuals or families need to deal with a short-term crisis or retain their independence.

(3) Bold Steps made commitments to prevent young people from becoming disadvantaged in the future. Youth disengagement is one of the reasons why young people fall into the benefits trap. As well as supporting the Kent economy, apprenticeships offer an attractive option to help keep young people engaged post 16. Our Assisted Apprenticeships scheme provides placements for vulnerable young people including care leavers, young offenders and disabled young people, and each cohort has an identified champion who works with the young people while KCC provides support to the employers. Over 100 young people have been supported into apprenticeships through this programme. A project has also been established to help young people with Behavioural, Emotional and Social Difficulties (BESD) achieve a more successful transition into post-16 learning and training. KCC in partnership with Kent's BESD Special Schools have joint-funded three mentors to work with 119 pupils during their transition to FE College and then during their first few weeks of term. As a result, this project is helping to significantly reduce the number of BESD young people dropping out during their first terms at college.

(4) Since 2010, the number of Kent's young people who are not in employment, education or training (NEET) has fluctuated, hitting a high in 2011 caused by the

economic downturn, in line with the national picture. Since 2012, NEETs in Kent have consistently decreased. KCC has launched 'NEET to EET' groups in every district, bringing together providers and agencies to identify and work to provide a personalised solution for young people who are NEET in the area. By taking this case management approach, 200 young people have been found learning, training and employment placements, who might otherwise have experienced negative outcomes post-16. In addition, Youth Employment Zones have been set up in the five districts with the highest youth unemployment rates to pilot interventions in partnership with Jobcentre Plus and other agencies and providers, initially focusing on 18 years olds.

(5) Another way in which Bold Steps committed to preventing future disadvantage was to reduce the number of disruptive moves for young people in foster care. Since 2010 we have made significant improvements to the fostering service. We have launched the 'Changing Futures' campaign to promote stable fostering opportunities and have promoted the provision of permanent / long-term foster care in the recruitment of foster carers. Virtual School Kent, set up in 2011, supports the educational achievement of children in care, co-ordinating educational services and providing advice to schools and access to specialist services. This has contributed to an improvement in the educational attainment of children in care in Kent, from 22.5% of children achieving 5 GCSE A* to C equivalent in 2010, to 36.8% in 2013. Importantly, the educational attainment of our children in care is now in line with national performance, having been lower in 2010. We have continued to campaign against other local authorities placing vulnerable looked after children in East Kent and to keep them as close to home as possible. Bold Steps committed to move towards integration between the Youth Service and Youth Offending Service to better target services at those young people most at risk of offending. In 2012, the integrated Youth Service was launched, and has strengthened preventative and community-based provision. Between 2010 and 2013, the number of young people engaging in crime has reduced, with a reduction of 39% in the number of young people sentenced in court and a 22% reduction in the number of custodial sentences.

(6) Bold Steps also committed to integrating wider services for adolescents. The Kent Integrated Adolescent Support Service (KIASS) now operates across the county. KIASS is designed to work closely with schools to provide better support to vulnerable young people so they can access the right service in the right place at the right time. It is an integrated multi-agency service with Secondary schools at its heart, bringing together practitioners from health, social care, youth work and education to provide a more joined up response for those vulnerable adolescents who are most at risk of harm and exclusion, disengagement from education and physical and mental health difficulties. Since the inception of KIASS, more young people are accessing early help services and are being referred for early intervention before problems escalate. KIASS will make a significant contribution to reducing exclusions, NEETS, youth offending, antisocial behaviour, the need for social care and child protection and improve the educational and wellbeing outcomes for vulnerable adolescents.

2.9 Bold Steps to Support the Vulnerable

(1) Supporting the most vulnerable members of our community will always be of highest priority for KCC. Shortly before Bold Steps for Kent was published, KCC's Children's Services received an inadequate Ofsted inspection, and was placed under special measures. We responded immediately and robustly, developing and

implementing a comprehensive Improvement Plan, and invested £30 million into improving the service. KCC's leadership has been praised by Ofsted for the high priority it has placed on improving services for vulnerable children.

(2) One of the most important improvements has been the establishment of the multiagency Central Referral Unit to improve assessment, ensure that thresholds for intervention are applied more consistently and coordinate partners including KCC, Police and NHS services. Since it was launched in 2012, the Central Referral Unit has made a real impact on improving consistency in the application of thresholds and reducing inappropriate contacts in to social care teams. For example, the timeliness of initial assessment has improved, with the number of initial assessments completed within 10 days of contact now significantly better than our statistical neighbours. Through the improvements we have also seen a reduction in the number of children on Child Protection Plans for more than two years. Our partnership with charity Coram has significantly increased the number of children adopted and adopters recruited – the number of children adopted per year has doubled between 2010 and 2014.

(3) Other improvements have included significantly reducing social work caseloads to levels that are manageable for staff and implementing a Recruitment and Retention plan to attract and keep more permanent and experienced social workers. Recruiting a permanent social worker workforce still remains a challenge across the country, and remains a priority for KCC. Bold Steps stressed the importance of supporting our children's social care staff with the best leadership and resources we can offer. We have developed the Social Work Contract to lay out our vision for children's services and what we expect from our staff. In return, it sets out what management will do to empower and support staff to reach those standards, including social work Master Classes with national experts and improvements in systems and IT.

(4) Early intervention and prevention was an important element of this Bold Steps theme, and continues to be a central element of our services for children and families. The Early Intervention and Prevention Strategy has driven this work, and we have made significant progress. The success of the Common Assessment tool has already been referenced in section 2.2. A suite of early intervention and preventative services have been commissioned across the county through a few framework, including support for Young Carers, support for children who have witnessed domestic abuse and young people at risk of violent relationships/teenage pregnancy, and emotional health and wellbeing support for children and young people. Recent reviews of these services demonstrated improved school attendance and behaviour, reduction in feelings of isolation, reduction in levels of conflict and improved relationships. There are fewer cases being 'stepped up' to social care in comparison to those being stepped down.

(5) We are also making good progress in ensuring that the voices of vulnerable young people are heard and that we understand their journey. Quality assurance surveys, focus groups and exit interviews take place with children in care and care leavers, and the Young Lives Foundation has been commissioned to develop a new survey to understand more fully what it is like to be a child in care. Some specific work has been undertaken to ensure that disabled children and their families are involved in the commissioning of all new services.

(6) KCC also continues to provide robust public protection arrangements, particularly important in the context of various safeguarding failures across the country over the last three years, including at Winterbourne View Hospital, the Mid Staffordshire NHS Trust and tragic individual cases of child abuse and neglect. We lead the Kent Adults' and Children's Safeguarding Boards, bringing key partners together to promote safeguarding and investigate and drive improvements when things go wrong. The Kent and Medway Adults' Safeguarding Board continues to expand in membership and has developed a multiagency training programme for adult safeguarding. KCC's Adult Safeguarding Unit is now fully embedded and is implementing the recommendations of the Essex County Council Peer Review. Safeguarding activity is increasing (15% increase in referrals in 2012-13 compared to the previous year), and social care teams are dealing with more complex cases. The Kent Safeguarding Children Board also continues to provide multiagency safeguarding training, carry out audits of partners' safeguarding activities and promote coordination and information sharing between agencies. Kent remains below the national average for child deaths. The new Central Referral Unit for adults and children's services will continue to streamline processes.

(7) Since Bold Steps for Kent was written, the Care Bill has been published, which will introduce massive, once in a generation reform of adult social services. The changes will include a lifetime cap on care costs helping more people keep their homes, which KCC has lobbied for. Working with partners through the LGA and ADASS, we will continue to lobby for a fair funding deal to implement the far-reaching reforms of the Care Bill. Paul Carter has become the County Councils Network's (CCN) Spokesperson for Health and Social Care. CCN has recently submitted a research report to government putting forward three critical issues concerning the Care Bill. These cover the need to gain a stronger understanding of the true cost of the reforms, the need for a cast iron funding commitment from government to fully meet those costs and the need for timely publication of guidance to enable local areas to mobilise resources to implement the reforms in time. Responding to the Care Bill is fully integrated into the adults' transformation programme, launched in 2012, which sets out how we will meet the challenges of an ageing population, increasing long-term and complex needs and customer expectations within reducing funding. It involves a fundamental redesign of the way services are commissioned and delivered. Working with efficiency partner Newton Europe, the programme is on track and already delivering significant benefits for customers and savings. Recently the contracts for homecare were re-let, delivering a £2.7million saving and allowing us to more efficiently monitor the quality of care delivered. Retendering of telecare monitoring has been completed which has successfully reduced the price per user per week from £2.11 to 24p.

2.10 Bold Steps for Housing

(1) Bold Steps for Housing is about building homes and communities, not estates. Our ambition for managed growth continues to be that new housing is developed intelligently, fully integrated into the wider community, also ensuring that affordable housing is provided. The Kent and Medway Housing Strategy, the first of its kind in a two-tier area, leads our coordinated approach to housing, with a focus on meeting the housing needs of a growing population. It is delivered in practice by effective relationships between KCC and the Kent districts, and has led to high levels of investment from the Homes and Communities Agency (HCA) compared with other agencies. Around £62 million of funding has been made available in Kent and

Medway to help bring forward 3,969 new homes by 2015, the greatest allocation to any county or city region in England. Kent continues to exceed previously set targets for 70% of new housing development making use of brownfield sites, reaching 75.1% in 2012/13.

(2) KCC and Kent Housing Group have worked with the HCA to maximise the delivery of new affordable homes, and the Affordable Homes Programme has been particularly successful in Kent compared to other areas. In 2012/13, 1,250 affordable housing units were completed, which is 35% of all completions, an increase on 29% in 2008/09. Following significant investment in numerous projects in Margate, we are continuing to develop the work being undertaken in Cliftonville under the Live Margate Housing Initiative. With encouraging signs of private investment developing throughout the area, KCC is nearing the completion of several of its own first phase projects (both new build and renovation). We have successfully attracted additional public sector investment to the scheme, with KCC's investment acting as a catalyst to promote further regeneration. Our No Use Empty programme has brought 3,320 empty homes back into use since it started in 2005 (including 2,054 between 2010-11 and 2013-14), through a combination of loan support and advice and is recognised nationally as a leading housing initiative.

(3) Through the Housing Strategy we have also worked with the HCA, districts, and local developers to develop a co-ordinated approach to ensuring that attractive high quality homes are built in the right place, including the development of the Rural Housing Protocol to stimulate delivery of affordable rural homes. We have also entered into a bold and innovative new partnership with developer Kier. The Kier Kent Initiative which was launched in 2013 packages together KCC-owned sites in Sevenoaks, Canterbury and Swale and brings in investment to build new homes for affordable, intermediate and private rent and open market sale, enabling new affordable homes to be delivered without Government grant.

(4) Bold Steps committed to ensuring that new housing comes with appropriate infrastructure and services. We have developed a powerful and innovative infrastructure planning tool called the Integrated Infrastructure and Financing Model (IIFM). It is a population-based forecasting tool that enables service providers (education, adult social services, libraries, community learning and youth) to assess changes in demand for services over a short, medium and long term time frame, distinguishing between demand arising from new housing and indigenous population (and provides costs for both). The model is capable of scenario testing for different housing trajectories and provides a credible and robust evidence base to feed into joint KCC/District Infrastructure Delivery Plans. Between 2010/11 and 2013/14, we agreed approximately £55 million in developer contributions to support education, social care, libraries, community and youth services needed to accompany housing growth, as well as securing two primary school sites and land for the expansion of an existing school.

(5) Through the Local Authority Mortgage Scheme, we were the first two-tier area to offer a scheme to help first time buyers obtain a mortgage at a time when lenders were asking for large deposits. As at end of March 2014, loans had been approved for 56 mortgages with a total value over £9m, with local authorities providing £1.8m of indemnity. As well as helping individual buyers, this has provided an important stimulus to the housing market at a difficult time, and we believe contributed to government introducing the 'Help to Buy' scheme on a national basis.

2.11 Bold Steps for the Environment

(1) Bold Steps committed KCC to playing its part in meeting the climate challenge. The Kent Environment Strategy focuses on making the most of the environmental opportunities we have in Kent, including offshore wind power and low carbon construction, to tap into the highly valuable global low carbon market without placing burdens on Kent businesses. We are making good progress in delivering against the Kent Environment Strategy across the three themes of 1) living within our environmental limits, 2) working towards a low carbon economy that is prepared for climate change, and 3) valuing our natural and historic environment.

(2) On the first theme and starting with our own organisation, over the last three years £1.8m has been invested in energy measures for corporate estate buildings, street lighting and schools, with £5 million lifetime savings expected. Overall since the Energy Efficiency Investment Fund began in 2005, £3.3m has been invested with expected savings totalling £8.5m. This equates to an annual fuel cost saving of £742,000. Recently completed projects include LED lamp upgrades to illuminated street signs and bollards, expected to save £1.2m in energy over their lifetime, and three solar photovoltaic projects, which have outperformed expectations by 25% saving £21,500 in the first year. We have also continued to cut business miles achieving a 19.5% reduction since 2010-11.

(3) Looking beyond KCC, we have established the Kent Warm Homes Scheme to improve the energy efficiency of Kent's homes, saving money and tackling fuel poverty. Over 1000 homes have had measures installed ranging from loft insulation through to new boilers. Due to changes in Government policy that has affected funding nationally, this scheme is now on hold, with the intention of re-launching with a new offer in October in time for the winter season. KCC continues to work with its partners to support Kent SMEs to save money and take advantage of the fast growing low carbon sector market through the Low Carbon Kent initiative. Over 1000 businesses have been engaged with 600 given intensive support, generating potential savings in excess of £1.2m per annum. In February, as part of Low Carbon Kent we launched Low Carbon Plus, an ERDF funded project providing £1million of grants to support Kent and Medway businesses to develop in the low carbon and environmental sector. Grants to the value of almost £90,000 have been provisionally approved.

(4) To ensure our local economy is resilient and prepared for a changing climate, KCC has continued to develop the Severe Weather Impacts Monitoring System (SWIMS) across Kent and Medway. Over 100 users from the public and private sector use the system to capture the effects of severe weather on their services. Partners include Kent Police, Kent Fire and Rescue Service, NHS, Environment Agency, the Met Office, the Highways Agency, Port of Dover Authority, all Kent local authorities and Medway unitary authority. For winter 2013-14 alone, services captured over £3.8 million costs through the system and recorded over 1,230 days to deal with emergencies and safeguard Kent residents and services. This data is currently being used to inform business continuity and resilience planning across the county. The system is now being rolled out nationally as part of the Government's Climate Ready programme.

(5) In addition, we have developed the Local Flood Risk Management Strategy for Kent and completed surface water management plans for priority high risk areas. We

have continued to develop our forthcoming role as the drainage approving body, working with our partners in the southeast to deliver guidance for planners on the integration of sustainable drainage into new developments to assist them in meeting the new drainage requirements. We have invested £5m in the £21.7m Sandwich Town Tidal Defence scheme, reducing risk of tidal flooding to 488 homes and 94 commercial properties and raising the standard of flood defence from a 1 in 20 years level of protection (classed as significant risk) to 1 in 200 year (low risk). KCC's contribution not only helped secure the funding for this scheme, but also through solving the flood risk problem for the area enabled the designation of Discovery Park as an Enterprise Zone (it was a precondition of the designation) and the resulting economic benefits this brings.

(6) On the third theme, around valuing our natural and historical environment, we have established the Kent Local Nature Partnership, to work with business to support and grow our economy through natural assets and support the health and wellbeing of our residents by improving the quality of, and access to, our natural environment. We have worked with Dover District Council and English Heritage to prepare the first stand-alone district Heritage Strategy in the country, enabling Dover District Council to secure government funding of £100,000 from the Delivering Differently initiative. We are also working with Kent Police to protect valuable heritage assets through a heritage crime assessment for Dover District.

(7) The Kent Farmsteads Guidance (prepared by English Heritage, Kent Downs AONB and Kent County Council) to help assess the character of historic farmsteads and assist in the process of sustainable development was endorsed by KCC in 2013. A training seminar and launch has been arranged for May 2014. Within the new Growth, Environment and Transport directorate, all services that promote the protection and enjoyment of our environment and heritage are now being brought together, including our work on Areas of Outstanding Natural Beauty, Public Rights of Way, countryside access and country parks.

2.12 Bold Steps for Social Enterprise, Community and Voluntary Groups

(1) Bold Steps for Kent set out KCC's commitment to the Voluntary and Community sector (VCS). Recognising the added value of the sector, it stated that we would make it easier for voluntary organisations and community groups to deliver our services. Much progress has been made since then, however we recognise that there is still more we can do and it has therefore been agreed that we will develop a VCS Policy which will consider the relationship of the Council with not only the VCS which provides services on our behalf but the community groups and organisations which provide local infrastructure and resilience to families and communities. This will consider the support the sector needs to thrive within a commissioning environment and to continue to play a vital role in building capacity within communities.

(2) Bold Steps committed to establishing a Big Society fund to help provide funding for new social enterprises in Kent. This was launched in December 2011, managed by the Kent Community Foundation. Kent Community Foundation has now received £2 million in funding and has offered just under £1.2 million in loans. This funding has not only helped a range of initiatives it has also helped to increase and sustain employment in the sector and increase volunteering opportunities. The fund also made a one-off donation of £130,000 from the Big Society Fund to support the

setting up of a micro-finance hub in Kent managed by the Fredericks Foundation. This extension has allowed individuals as well as incorporated Social Enterprises to access the fund to start or expand their business.

(3) The VCS continues to play a significant role in delivering around £110m of KCC services. As stated in Bold Steps, our strategic relationship with the sector is developing and this means that where appropriate we are moving from the provision of grants to outcome based commissioning arrangements for service delivery. Bold Steps was clear that we needed to support the sector in this transition and that we would need to work with the voluntary sector to better understand its capabilities and to shape our commissioning approach. Since setting up the Voluntary and Community Sector Engagement Forum in 2011 we have continued to engage with the sector and have remained committed to using co-production principles when designing our services wherever possible. Adult Community Support has placed co-production at the heart of their service design and is working with the Social Innovation Lab Kent (SILK) within KCC to re-design dementia services and establish Dementia Friendly Communities. However, we recognise that there is still more we can do through our commissioning and a Select Committee on Commissioning was established in November 2013, with a particular focus on the VCS and the extent to which the authority was using its commissioning processes to ensure it meets its duties under the Social Value Act.

(4) Supporting the sector to be self-sustaining and competitive is a priority for KCC and we have continued to explore more flexible procurement processes to offer opportunities to the sector. For example the Youth Service Transformation Model used a dynamic purchasing model to commission the delivery of youth services. The successful 22 providers were local Kent based organisations (with one exception) ranging from small to countywide VCS organisations delivering lots across the county.

(5) Bold Steps set out our intention to develop a new approach to Community Asset Transfer so that the VCS could take on the management and ownership of KCC assets linked to the delivery of public services, where it offered value for money. Since the publication of Bold Steps the Localism Act was introduced and included the Community Right to Bid which has seen slow uptake nationally. However in Kent we have been exploring innovative property models to support new service delivery, for example in our Youth Service Transformation programme, and will continue to explore how we can support the sector through a range of property solutions.

3. Lessons learnt from Bold Steps for Kent

3.1 As we move forward, it is important to recognise strong progress against Bold Steps, but also to learn from any areas where we could improve in the development, monitoring and delivery of future strategic statements. Three main lessons can be learnt from Bold Steps for Kent and factored into our thinking as we go forward:

a) Coverage and mapping of priorities to services

Although the Bold Steps themes cover a wide range of priorities, they do not obviously and immediately map to KCC's service areas. In order to understand how each service plays a contribution to achieving the priorities set out in Bold Steps, it was sometimes necessary to search through the document for the relevant

statements. For some services, there was no direct match between what they deliver and what Bold Steps says. Whilst this was deliberate in order to provide a more strategic one-council focus, going forward with a need for even sharper focus on delivering the council's priorities, it will be important to translate our strategic outcomes and priorities into clear and specific deliverables for all of KCC's services. This will provide cohesive direction for the council and assist every member of staff in understanding the role they play.

b) Performance management arrangements

The delivery of Bold Steps for Kent was built into the council's business plans, in order to embed it into the day-to-day working of the council. Subsequently, monitoring and reporting against progress has been through existing arrangements for performance monitoring, including the Quarterly Performance Report and Directorate Dashboards, rather than through specific monitoring against Bold Steps. As a strategic commissioning authority, a stronger performance framework will be required to ensure that we have clear, specific performance information to monitor progress against the council's priorities and take action where needed.

c) Achievability of priorities

Bold Steps for Kent aimed to bring about significant change to the way in which services are delivered to meet the needs of our service users and residents in a financially sustainable way. It was therefore inevitably ambitious and challenging in several areas. A number of the most challenging ambitions set out in Bold Steps were dependent on external factors and the actions of external bodies including central government. In several cases, factors outside of KCC's control have meant that it has not been possible to deliver commitments as planned. For example, the design of the DWP Work Programme excluded local authorities from playing a role in delivery, meaning that we were unable to align our Supporting Independence Programme with the Work Programme as planned, and have instead shifted our focus to other programmes to support vulnerable groups into work. In addition the delivery of government's vision around localism has not been as extensive as anticipated, and the proposed return of structure planning has not happened. Going forward, we will need to make sure that priorities and outcomes are challenging but achievable within KCC's influence, working with our partners.

3.2 These lessons will be taken forward as we develop the next strategic statement for the council.

4. A new strategic statement

As referenced in the Facing the Challenge progress report to County Council in March 2014, it is proposed that a new Strategic Commissioning Plan and accompanying Outcomes Framework for KCC is developed. This will be developed through Facing the Challenge Phase 2 transformation with the intention of it being adopted as the strategic statement from 2015/16 onwards, subject to approval by County Council. It will articulate the priorities that the council needs to deliver to achieve the vision set out in Facing the Challenge, and provide continued direction for whole-council transformation.

5. Recommendations

County Council is asked to:

- 1) Note the achievements of Bold Steps for Kent
- 2) Note the lessons learnt from Bold Steps for Kent
- 3) Agree the close down of Bold Steps for Kent

Background papers:

Bold Steps for Kent: The medium term plan until 2014/15, County Council 16 December 2010

Facing the Challenge: Progress to Date and Phase 2, County Council 27 March 2014

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By: Paul Carter, Leader of the Council
 John Burr, Director of Transformation

To: County Council – 15 May 2014

Subject: Facing the Challenge: Phase 1 Service Review and Market Engagement Outturn Report

Summary: This report provides a full outturn of the Market Engagement and Service Reviews undertaken through Phase 1 of Facing the Challenge. It also outlines the methodology and approach used for the reviews, the range of options considered as part of each review, and the preferred option to go forward to Full Business Case.

Recommendations:

County Council is asked to:

- (1) Endorse the preferred options to be taken forward to Full Business Case for the Phase 1 reviews, as set out in section 3
- (2) Endorse the approach to engaging the market for a Joint Venture partnership covering a range of suitable services as set out in section 4
- (3) Note the indicative financial savings for Phase 1 reviews as set out in section 5
- (4) Note the next steps, in particular the route for approval of Full Business Case and any Key Decision approvals, as set out in section 6

1. Introduction:

1.1 'Facing the Challenge: Delivering Better Outcomes' approved by County Council in September 2013 established, as a key pillar of transformation activity, a number of market engagement and service reviews to challenge fundamental assumptions about how and why KCC delivers services in the way it does. Services within Phase 1 include:

- | | |
|-------------------------------|--------------------------------------|
| • Community Learning & Skills | • Legal Services |
| • Kent Scientific Services | • Human Resources |
| • Libraries | • ICT |
| • Residential Care Homes | • Finance |
| • Contact Centre | • Property |
| • EduKent Services | • External & Internal Communications |

1.2 An enormously challenging timetable for the completion of Phase 1 Market Engagement and Service Reviews was set by County Council. By the end of April 2014, all reviews were to have:

- A comprehensive understanding of the current service

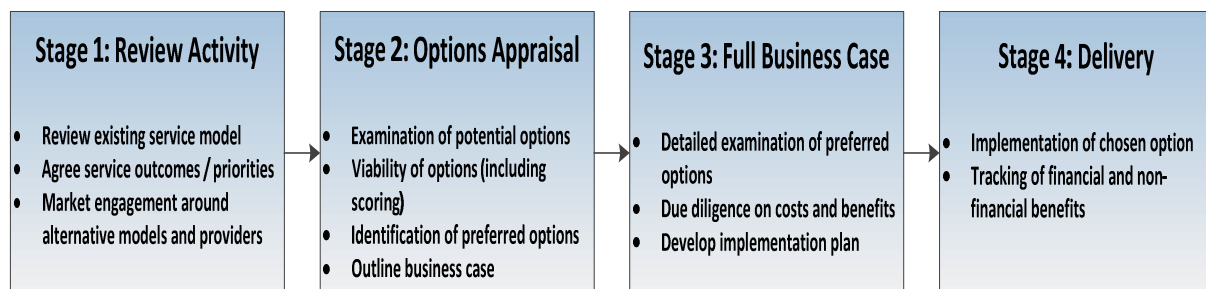
- A spectrum of options for future design and delivery, including potential providers
- A preferred option for decision, supported by an outline business case
- Authorisation to proceed to a full business case to progress the preferred option towards implementation

1.3 All review activity has been successfully completed and it is now possible to report to County Council the preferred option to proceed to the next stage for each of the services under review. The only exception being the review of Residential Care Homes where, for a number of very strong reasons and the close interdependencies between the review and the strategy, it is felt that the decision should wait until the Accommodation Strategy and implementation plans currently being prepared by the FSC Commissioning team are complete.

2. Methodology and Market Engagement Activity:

2.1 It is important to note that all of the Market Engagement and Service Reviews are going through a standard methodology in regards to how they have been undertaken and whether they proceed to the next phase of review activity. This approach is set out in diagram 1, below:

Diagram 1: Review methodology – summary:



2.2 It is important to note that the deliberate approach taken by the Transformation Team when undertaking the reviews has been to 'do with' rather than 'do to' services. This approach has allowed a significant degree of close co-operation between the reviewers and the services themselves which has ensured reviews have progressed at speed, and points to a maturity in the organisation and appetite for change which is to be supported. Where services had pre-existing plans for service transformation, these have been wrapped up and considered as part of the reviews.

2.3 The scale of market engagement activity has been particularly impressive. A Prior Information Notification (PIN notice) was submitted on the Government Portal that invited suppliers from both the independent and the private sector to talk to us about innovative ways of service delivery. In total we received 174 responses from 109 different companies, from both large primary tier national providers to some local SME's. Several providers registered their interest in working with us across many of our services, and some were invited in (10 in total) to talk to the review team specifically about opportunities to make financial efficiencies by introducing new business models, technology and improving business processes. This market engagement activity has proven to be very valuable, and has informed our thinking when recommending options to take forward to full business case.

2.4 Over the course of Phase 1, it also became apparent that as well as looking at what models worked on the provider side of services, the impact this had on councils in regards to their ongoing client role need to be considered. As such, there has also been significant engagement with a number of councils across the country to examine how their client role operates in practice.

2.5 All reviews have now completed Stage 2, but before moving fully into Stage 3 and the development of Full Business Case for each of the preferred options, it is important to get County Council endorsement on the preferred options for each of the services in Phase 1.

2.6 The following sections of this paper outline the preferred option for each of the services under review across the whole of Phase 1. It does not provide detailed explanation of key issues such as due diligence of financial and non-financial benefits, governance of any new delivery model or procurement issues, as these will be considered and addressed as part of the Full Business Case during Stage 3 of the review process.

3. Preferred Options to move forward to Full Business Case:

A. Property Review

3.1 The preferred option on the Property review is for the service to become a **Local Authority Trading Company (LATCO)**, which would be fully owned by the County Council.

A number of alternative options were considered as part of the options appraisal but not recommended, including:

- Do nothing
- Keep the Property in-house but make efficiency savings and trade at cost
- Outsource the property function
- Externalise and establish a Joint Venture Company with either (a) a private sector company or (b) a Teckal JV with another Local Authority Trading Company

3.2 The property review is one of the most advanced reviews in Phase 1 as it builds on pre-existing thinking within the service itself about future delivery models. The review has shown that there is considerable opportunity within the market for a public sector property services provider to operate and increase income. As such, the preferred option is to create a 100% KCC owned property local authority trading company to take advantage of this market opportunity.

3.3 Increasingly, local authorities are moving away from having their own in-house delivery teams specifically in areas of facilities management and design. Only a small number of authorities have fully outsourced their property function to a single external provider and retained a small core strategic commissioning staff to oversee the contract management function. Some local authorities are in the process of

establishing different forms of property partnerships or property arms-length vehicles,

and this is likely to be an emerging trend. It is considered highly likely that there is the potential to grow the KCC business across other local authorities, and also to other owners of significant estate, such as the NHS, housing associations and schools clusters.

3.4 The proposed model is for a group of companies centred on a Local Authority Trading Company (LATCO). This central company would offer property services, providing the same services as the in-house Property and Infrastructure Service current provides. In addition, it would build its strategic estate management capabilities to better leverage return from the KCC estate, and build capability to deliver a range of professional design services to capture supply chain profit which is presently lost. Other vehicles would sit beneath the property services company, which would focus on specific specialised areas of business. These vehicles may

have different commercial joint-venture structures, with public or private sector

partners as appropriate, to leverage additional skills, investment and risk sharing. Initially, it is envisaged that two vehicles are scoped: "New Development Company Ltd" to undertake property development activities; and "New Asset Solutions Ltd" to provide facilities management and related services. However, other vehicles may be scoped to focus on other areas of specialism and/or to establish JVs (Teckal or otherwise) to deliver services to new public sector clients.

3.5 Through the development of the Full Business Case, it will be important to consider the size and scale of the remaining intelligent client function for property within KCC. However, given the extent of progress made, it is envisaged that the LATCO could begin operating in shadow form from September 2014, with the LATCO fully established for the start of the 2015/16 financial year.

B. HR, ICT and Finance Review:

3.6 The preferred option of the Finance, HR and ICT review is to move to an integrated service offer run with a **JV partnership**. Although an options appraisal has been developed for each of these services independently of each other, it became very clear early on in the market engagement exercise that greater value could be derived by considering these services, in particular the transactional functions within each of them, as a single back office "offer". The integration of the transactional functions was already planned by the three services involved and so this approach will be applied irrespective of whether it is provided in-house or out-of-house. As such, the three services are being taken forward as a joint review with a shared preferred option. The outcomes of the competitive dialogue procurement will be benchmarked against an integrated services cost comparator.

3.7 The review has shown that the market for transactional back office support services is exceptionally mature, with a number of local authorities currently securing significant financial savings through joint venture arrangements with national providers. Indeed, some authorities are now into their third and fourth generation of such contracts, and have continued to make considerable savings on each new contract as they further refine and tighten their contract specification and improve their contract management capabilities. The market engagement exercise has also shown that a JV partnership arrangement is far more appropriate for KCC than a

simple outsourcing model, as it would allow greater flexibility to meet the authority's future needs, including expanding or contracting the arrangement as required, rather than simply being caught by contract variation costs common in outsourcing models. Through the development of the Full Business Case it will be important to clarify exactly which transactional services would be included in the joint venture, the size and role of the remaining in-house intelligent client function for these services, as well as the wider set of KCC services which might be suitable for inclusion in a JV partnership (see section 4). Given the size and scale at which KCC operates, it is expected that significant financial and non-financial benefits could be delivered through a JV partnership.

C. Internal and External Communications Review

3.8 The preferred option on the external communications is **to improve, optimise and include the technical elements in a JV partnership**. A number of alternative options were considered as part of the review but not recommended, including:

- Do nothing
- Retain strategic client and commission outcomes via outsourcing or a JV
- Reduce cost of services by 50%
- Cease service entirely

3.9 The review has shown that the market for local authority communication functions is extremely immature, with only a few local authorities seeking to trade their communications functions with other local authorities and wider public sector. None have sought to externalise their communications function. Communications teams within local government are an in-house resource given the degree of control and flexibility often required for such a critical function. As such, there is limited scope for commercialisation or externalisation of the service, although it may be that there is some opportunity for limited external trading for the communications service in the future. This should be explored as opportunities allow. However, in the first instance there is a need to further improve and optimise the service, including through better communication and campaign planning from within services. It is also necessary to include the technical functions currently within communications (e.g. web development and management) within the end-to-end review of customer service, ahead of any engagement regarding a possible joint venture partnership (see paragraph 4.3).

3.10 The internal communications resource within the council is very small and is critical to ensuring that key messages are communicated to staff, and that managers are supported in communicating with their staff through a significant period of change. Through Phase 1 restructuring, internal communications now sits within the HR function, and it is recommended that there is **no change to the internal communications** arrangements.

D. Contact Centre Review:

3.11 The preferred option on Contact Centre is to explore the services being delivered through **a JV partnership**. A number of alternative options were considered as part of the review but not recommended, including:

- Outsourcing

- Conduct a series of improvement projects
- Reduce service budget by 50%
- Continue as in-house provision
- Discontinue the service entirely

3.12 The KCC Contact Centre is one of the primary points of interaction between the council and its customers, the other being the council's website. It is therefore a critical function because customers' perception of the Council will be influenced by their experience of the Contact Centre and the KCC website. The market engagement activity has shown that whilst the Contact Centre compares well in benchmarking on customer feedback compared to other public and private sector contact centres, it is more expensive. Moreover, the failure to deliver customer channel shift from telephone to web based contact is maintaining call volumes at a higher level than many other local authorities. The higher service standards and higher call volumes are driving cost, and it is felt that further efficiencies can be delivered, with the Contact Centre already delivering an efficiency programme and working towards a more commercial and flexible operating model. However, the market for contact centre service is mature with a significant number of councils having developed commercial arrangements with external providers. As such, the preferred option is to include the Contact Centre in further market engagement discussions around a JV partnership.

E. Legal Services Review:

3.13 The preferred option on the Legal Services review is to create an **Alternative Business Structure (ABS) vehicle with a commercial partner**. A number of alternative options were considered as part of the review but not recommended, including:

- Budgeted in-house service
- In-house team – accelerate existing improvement programme
- KCC stand-alone Alternative Business Structure (ABS)
- Shared service and future ABS with another County/Unitary authority
- Outsource Legal Services through tendered contracts

3.14 KCC Legal Services is an award-winning in-house team widely regarded within the public sector as innovators. It has returned over £11 million of surplus income to KCC over the past 10 years, and last year saw their highest surplus of £2.4 million returned to KCC. However, the market for legal services is changing rapidly, with recent legislation permitting the formation of Alternative Business Structures (ABS), which allows legal practices to be managed or owned by non-lawyers. Since the Solicitors Regulation Authority (SRA) began accepting licencing for ABSs in January 2012 some 145 separate licences have been granted, including to national consultancy practices. These market developments, alongside SRA restrictions on local authority in-house legal teams limiting whom they can act for, may limit future growth for KCC Legal Services, and some local authorities have already applied to create ABS vehicles. Whilst KCC could create an ABS on its own, it is felt that an ABS with a commercial partner could enable the new vehicle to secure new clients quickly, with the commercial partner likely to bring experience in sales, marketing and commercial resources. It should be noted that the governance role within KCC Legal Services including the Monitoring Officer, Senior Information Risk Owner and County

Returning Officer roles would not be included as part of any ABS model, with the governance team remaining in-house as part of an intelligent client function.

F. Libraries, Registration & Archives (LRA) Review:

3.15 The preferred option on the Libraries, Registration and Archives review is to establish a **Kent Trust** to operate the service. A number of alternative options were considered as part of the review but not recommended, including:

- Retain Service In-House but Transform Further
- Commissioned Model through Outsourced provision
- Partnership/JV with External Provider
- Partnership/JV with Public Sector Partner – Library Authority
- Partnership/JV with Public Sector Partner – Non-Library Authority

3.16 The review of the Libraries, Registration and Archive (LRA) service has involved considerable engagement activity, in particular with other local authorities but also through a soft market testing exercise referred to as ‘deep dives’ involving two external providers. In regards to the national picture, there is a mixed approach as to how libraries are commissioned and provided by local authorities. Some authorities have outsourced their library services to external providers under contract; others have attempted to move to a community-owned library model.

3.17 The review has identified moving to a Kent Library Trust model as the preferred option. The advantages to moving libraries to a Trust arrangement, which would be a Community Benefit Society operating for the benefit of the community under the Industrial Provident Society, are significant. In particular the Trust can be classed as charitable; with ‘exempt charity’ status enabling tax breaks such as National Non-Domestic Rates (NNDR) relief, with the potential for the Trust to reduce overheads and further increase income. However, under the Trust model, the assets remain with KCC and it is possible to create a governance mechanism to ensure Member representation and influence over the service. Successful transitions to a Trust model have been undertaken by several other local authorities, and there is an opportunity for KCC to further learn from others who have already gone down this route. Through the development of the Full Business Case it will be important to consider how the provider of the service will be commissioned alongside the creation of the Trust, as the model does not limit the option of an external provider being commissioned to run libraries, which may provide an opportunity for further savings. Whilst the Full Business Case is being developed, the Future Library Service (FLS) programme, the existing in-house change programme, will focus on the pre-existing work around transferring some KCC libraries to community ownership where appropriate.

G. Community Learning & Skills Review:

3.18 The preferred option on the Community Learning & Skills (CLS) Review is for the service to become a **Local Authority Trading Company**. A number of alternative options were considered as part of the review but not recommended, including:

- Do nothing (business as usual)
- Changed internal model
- Withdraw completely from provision

- Withdraw from subsidised (non-profitable) provision
- Social Enterprise (not for profit status and possibly a mutual and a charity)
- Joint Venture Company

3.19 CLS provides a range of adult education and community learning services, with the vast majority of its funding coming from contracts from the Skills Funding Agency (SFA) and the Education Funding Agency (EFA). Engagement with the SFA has highlighted the pressure that the Community Learning Grant is under and will continue to be under through the next Comprehensive Spending Review. It is important therefore, if the service to be viable in the long-term, that CLS is able to maximise its opportunities to bring in funding from a greater number of sources, becomes a leaner organisation, with faster decision-making enabling it to respond quickly to the needs of its customers. A number of other local authorities have moved similar services into new delivery models, and there is a strong appetite from within the senior management of the service to move towards the Local Authority Trading Company (LATCO) arrangement. The review concluded that a LATCO is a viable option for both the service and for KCC, as it would free CLS to generate new income by growing its commerciality and reduce its costs, but also allow KCC to retain control of purpose and the strategic priorities through single-share ownership. The transition to a LATCO model will require two-stages, with the first stage being an incubation period that would seek to make CLS 'commercially ready' by bringing new commercial and business development skills into the service, before fully implementing the LATCO model.

H. EduKent Review:

3.20 There are two options being recommended for Full Business Case development on the EduKent Review. These are:

- (1) to include EduKent in a **JV partnership** with other KCC support services, or as a stand alone JV partnership
- (2) Develop a **Charitable Trust (Joint Venture) for Improved Educational Outcomes** (incl. SPS, SFS and EiS)

3.21 In regards to the EduKent review, a number of alternative options were considered but are not recommended at this stage, including:

- Do nothing – Business as Usual.
- Stop Service Delivery – deliver Only Statutory Services
- Deliver EduKent and services on an SLA delivery basis.
- Deliver EduKent as a single entity, with services centralised under EduKent and not across Units/Directorates (incl. SPS, SFS and EiS)
- Stop EduKent window - services deliver directly to schools
- Strategic Joint Venture to Deliver Services for Improved Educational Outcomes (not incl. SPS, SFS or EiS)

3.22 EduKent provides a significant number of Kent, and increasingly non-Kent, schools with a wide range of education support services irrespective of whether they are maintained schools or academies. The EduKent brand acts as a 'shop window' for a range of in-house professional support services, such as Schools Financial Services (SFS), Schools Personnel Services (SPS) and Education Information

Services (EiS), as well as professional advisory services from within the Education and Young People Directorate, with schools often purchasing a blended range of these services.

3.23 The market engagement activity has shown that there is a growing market for school support services, with a range of large-scale national providers seeking to expand further into the education market and some local authorities also seeking to exit from the provision of support services to schools altogether. However, many of the services within EduKent have a longstanding trading relationship with schools, and EduKent has strong brand value both within Kent and beyond. As such, there remains considerable scope for expansion of EduKent business, and the review has identified that a partnership model should be explored further. The exact form of partnership is not yet decided, which is why two options are being put forward to full business case stage. Some local authorities have driven value through including education support services in wider JV partnership around other council services, whilst others have established stand-alone JV arrangement with a private or public sector provider or, in some case, with schools themselves. Both options will be tested through the development of a Full Business Case and further market engagement. A critical test will be the extent that either option maintains and enhances the authority's strategic relationship between KCC and Kent schools, both in terms of our statutory functions (e.g. school improvement) and our wider community leadership role.

I. Kent Scientific Services Review:

3.24 The preferred option on the Kent Scientific Services (KSS) Review is for the service to adopt a **more commercial internal model**. A number of alternative options were considered as part of the review but are not recommended at this stage, including:

- Discontinue KSS service provision entirely - buying in all services from elsewhere
- Move KSS to Commercial Services
- Commission the service to a Social Enterprise
- Keep KSS as is model - with current on-going business development

3.25 Kent Scientific Services provides scientific testing services to other parts of KCC, including Trading Standards and Coroners, and sells that expertise and ability to other local authorities and across the wider public and private sector. Whilst every upper-tier local authority is under a statutory duty to provide or purchase analytical capability for food testing and weights and measures testing, the overall picture is of a declining market, with no statutory minimum on the volume of testing activity local authorities must undertake. Whilst in the mid-1980's there were 30 public analyst laboratories there are now only 7, with one due to close in May. As local authorities have reduced the volume of testing, public analyst laboratories have diversified their activity, with KSS providing port of entry testing for Thamesport and Tilbury.

3.26 There are a number of factors that underpin the preferred option of a more commercial model. The first is that KSS is well located to take advantage of increased port of entry testing with the development of the London Gateway container port that will, once fully operational, have three times the handling capacity

of all existing London ports. Secondly, as public sector analyst laboratories have reduced in number, there is increased private sector activity in the market that potentially runs the risk of creating an effective monopoly if public sector analytical capacity continues to reduce further. Because of this concern, the Government have instigated the Elliot Review to examine the integrity of food supply networks, the interim findings of which suggest that there may be need for Government intervention to further support public analyst capacity and capability. Until the Elliot Review has concluded, and the Government have responded to the findings, a more commercial model remains the most viable option for the service.

4. Engaging the market around a Joint Venture (JV) partnership:

4.1 As noted in the section above, a number of the preferred options are to move to a joint venture partnership with a commercial partner. Through the market engagement exercise and speaking to both market providers and other local authorities, it is clear strong and effectively procured JV arrangements can provide significant value in terms of both financial and non-financial benefits. In particular, some authorities, such as Staffordshire County Council, have agreed very significant JV partnerships which encompass a variety of different services. Those JV partnerships that encompass a wider set of services tend to be more strategic and more partnership focused than those based on the delivery of a single or a few individual services.

4.2 A critical part of the next steps in exploring a JV partnership will be to engage the market about what the structure of any partnership might be, what services might be included and what financial and non-financial benefits might be delivered. A particular focus must be given to exploring the relative benefits and issues of either keeping together or separating the professional support services provided to schools (EiS, SPS and SFS, highlighted at paragraph 3.21) from the back office support services for KCC, or whether they should be delivered as part of a stand-alone EduKent JV partnership. These questions can only be answered through further detailed engagement with the market, to understand how various providers would respond to differing options and permutations, and how it would impact on the benefits available.

4.3 Our market engagement activity has also identified that as part of the further market engagement on joint ventures, a wider set of KCC customer services functions should be included, as they have already been included in a number of other local authority JV arrangements. As part of Phase 2 reviews, an end-to-end customer services review will be undertaken to make recommendations around what aspects of the customer service functions might be suitable for inclusion in the market engagement around JV partnerships.

5. Indicative Financial Savings from Phase 1 Reviews:

5.1 The Medium Financial Plan for 2014/17 sets out the high level 3 year financial plan. This anticipates the need for £88m of savings in 2015/16 to offset the impact of government funding reductions as set out in the provisional local government settlement, and forecast additional spending demands. Further savings of £62m are forecast for 2016/17 due to a combination of funding reductions (these can only be estimated based on overall public spending forecasts in the Chancellor's Autumn Statement until the outcome of the Spending review for 2016 is announced) and additional spending demands. Our longer-term forecasts suggest it is not

unreasonable to assume further savings of a similar magnitude to 2016/17 are likely to be needed in 2017/18 and 2018/19 if the government is to meet its targets of eliminating the budget deficit and reducing public spending as a proportion of the Gross Domestic Product and to compensate for unavoidable additional spending demands.

5.2 The Medium Term Financial Plan has £43m of the savings target for 2015/16 and £45m for 2016/17 yet to be identified. Facing the Challenge will go some way meeting this unidentified savings target but as outlined in the report to County Council in December 2013 the phase 1 market reviews were initially expected to deliver between £15m to £20m towards the overall 3 year target. Gross expenditure on the 12 areas included in phase 1 for 2014/15 amounts to over £169m (net budget i.e. excluding service income and specific government grants £92m). Within this these services will have to deliver over £6m of savings compared to 2013/14 towards the overall £91m of savings reported to the county council when the budget was set in February. These services also have further savings of nearly £14m within the identified savings for 2015/16 and 2016/17 in the Medium Term Financial Plan. It is essential that any savings from market engagement will need to meet or exceed the savings we have already planned in the MTFP if they are to contribute towards the unidentified gap.

5.3 The detailed market engagement exercise has indicated that we can reasonably expect to achieve revenue savings of between £150m to £250m over a 10 year period. The savings will not all be achievable from 2015/16 and the annualised savings are likely to build-up over a number of years, meaning the market engagement should deliver average savings of around £20m to £30m per annum. We need to undertake more detailed analysis of the initial market responses to determine the extent to which these savings include the £20m already identified in the MTFP over 2014/17 referred to in paragraph 5.2. Nonetheless it is not unreasonable to conclude that not only are we on track to achieve savings from the market engagement in the timescales envisaged in earlier Facing the Challenge reports, but we should also exceed the amount previously estimated or identified in the MTFP.

5.4 A more robust financial expectation from the market engagement exercise needs to be developed over the summer in advance of consultation on the 2015/16 budget and 2015/18 MTFP in the autumn. We are planning a budget timescale for 2015/16 similar to 2014/15 with consultation in the autumn to be reported to Cabinet and Cabinet Committees in December prior to final draft budget issued in January in advance of full County Council in second week of February.

6. Next Steps:

6.1 The next stage of the process is for Phase 1 reviews to proceed to Full Business Case development. Given the level of detailed work that has been undertaken through the review activity to date it is anticipated that the development of a Full Business Case can be achieved quickly across a number of the reviews.

6.2 As per the recommendation from the recent LGA Corporate Peer Challenge of KCC, alongside the development of the Full Business Case for each preferred option we will also develop implementation plans so we can benefit from new service delivery models as quickly as possible.

6.3 However, it is important to note that no formal decisions have been taken yet, and the County Council is not committed beyond the point of no return against any of the preferred options outlined in this paper. The purpose of the structured review programme and proceeding to a Full Business Case is to further test the assumptions and modelling underpinning each preferred option, so that Members can have confidence that proposals are robust, deliverable and beneficial both to the council and to service users. Where the preferred option does not stand up to testing in the Full Business Case, we will reconsider our approach.

6.4 The Facing the Challenge programme update to the July County Council meeting will include more detail on the outcome of the Full Business Case development as well as the decision-making and implementation timetable for Phase 1 reviews over the coming months.

6.5 The formal decisions necessary to implement any new delivery models for services under review are the responsibility of the Executive, and any formal decision required will be taken through the Key Decision process in the normal way, as set out in Facing the Challenge programme plan agreed by County Council in September. As such, Cabinet Committees pre-scrutiny role will allow Members to test, debate and discuss the full business case ahead of any formal decision being taken to implement a new service delivery model. Although unlikely, where no formal Key Decision is required to implement a Full Business Case, it will still be considered by Members through the relevant Cabinet Committee.

6.6 Once decisions are made to move to new delivery models, the project or programme to implement the new delivery model will sit under the relevant Change Portfolio, with responsibility for implementation sitting with the relevant Chief Officer. Progress on the implementation of the new delivery models will be reported to Transformation Board through the Transformation Advisory Group (TAG).

7. Conclusion:

7.1 A lot has been learned through the Phase 1 market engagement and service reviews. Many of those lessons were reported to County Council at its March meeting, and that learning will be folded into the approach for reviews through Phase 2. Overall however, Phase 1 has been very successful, having met expectations in regards to the both the quality and timeliness of reviews, allowing the identification of the preferred options for all but one of the services under review.

7.2 The County Council set an enormous challenge when it agreed that Phase 1 reviews should be completed in just over six months. That the organisation has met this challenge is testament to the hard work and commitment of the Transformation Team, and the co-operation and engagement of the services under review, without which the strong progress made so far would not have been achieved.

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Appendices: None

Background Documents:

- 'Facing the Challenge: Delivering Better Outcomes', Kent County Council, September 2013
- 'Facing the Challenge: Progress to Date and Phase 2', Kent County Council, March 2014

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From: Paul Carter, Leader of the Council
David Cockburn, Head of Paid Service

To: County Council – 15 May 2014

Subject: Select Committee: Commissioning

Classification: Unrestricted

Past Pathway of Paper: Cabinet 28 April 2014

Summary: To receive and comment on the report of the Select Committee on Commissioning and Procurement

Recommendations:

Council is asked to support the following recommendations:

- The Select Committee is thanked for its work and for producing a relevant and balanced document.
- The witnesses and others who provided evidence and made valuable contributions to the Select Committee are thanked.
- Council's comments on the report and its recommendations are welcomed.

1. Introduction

1.1 This timely review has sought to demonstrate how Kent County Council (KCC) could improve its skills and approach to commissioning, with a particular focus on removing barriers to entry for the provision of KCC services, particularly for small to medium sized enterprises (SMEs) and members of the voluntary, community and social enterprise sector (VCSE); and maximise added value. There is a significant challenge in redesigning services and transforming ways of working to have better services in terms of results, value for money and efficiency.

1.2 Commissioning is increasingly central to the approach to redesign services, joining up resources to focus on outcomes in the most effective and efficient way, taking a whole system approach and different ways of achieving improved outcomes. KCC needs to become better at commissioning, targeting resources and choosing the right mechanism to best achieve desired outcomes.

1.3 Having been agreed at a meeting of Scrutiny Committee on 12th November 2013, the Select Committee was established in December 2013 with its first meeting on 16th December. It began its work immediately to gain an insight into the review topic, focusing on Commissioning within KCC as an organisation, potential barriers to providers and social value.

2. Select Committee

2.1 Membership

The Select Committee was chaired by Mr Mike Angell. The Committee comprised of five Conservative members (Mr Mike Angell, Mr Matthew Balfour, Mr Nick Chard, Mr Tom Gates & Mr Clive Pearman), two UKIP members (Mr Mike Baldock & Mr Hod Birkby), one Labour member (Mr Gordon Cowan) and one Liberal Democrat (Mr Martin Vye).

2.2 Terms of Reference

The terms of reference agreed by the Select Committee on 16th December 2013 were:

- a) to determine what KCC needs to do to become a better commissioning authority, with a particular focus on removing barriers to entry for the provision of KCC services from new providers, particularly small to medium sized enterprises (SMEs) and members of the voluntary, community and social enterprise sector (VCSE).
- b) to consider if the authority is using its commissioning processes to ensure it meets its duties under the Social Value Act
- c) to examine how, in becoming a commissioning authority the voluntary, community and social enterprise sector (VCSE) can play a more important role in the provision of KCC services
- d) to make recommendations around the role of KCC as a commissioning authority and the programme of activity through Facing the Challenge that will move the authority to have a commissioning focus and improve how we do commissioning.

The issues agreed to be explored were:

- a) the strategic context and our role as a commissioning organisation
- b) the costs of entry into KCC commissioning and procurement exercises, and if these costs present a significant barrier to new providers
- c) how any barriers to entry for new providers might be mitigated or removed
- d) the extent to which KCC decommissions and re-commissions services based on provider performance
- e) How KCC can best discharge its responsibilities through the Social Value Act
- f) the type of social benefits that should be sought through commissioning /procurement practices (e.g. apprenticeships)
- g) the extent that social value requirements be sought throughout the KCC supply chain

2.3 Evidence

The review commenced by looking at existing research and national papers. The committee gathered evidence during January and early February 2014, through 9 half-day hearings, briefing papers and written evidence from providers including VCS and SME, Infrastructure Organisations, representative bodies, and Officers with

Commissioning or procurement roles. A list of those who took part or were invited to submit written evidence is detailed in Appendix 1.

2.4 Timescale

The Select Committee met for the first time on 16th December 2013 and conducted a series of interviews in January and February 2014, and invited written evidence during this period. The Select Committee report was presented to Cabinet on 28 April 2014.

3. The Report

3.1 The key points and themes of the report's recommendations include:

- need for an approach that builds 'whole systems' thinking, networks of supply, enables communities to define and shape their own outcomes, and can utilise 'co-creation of value – ensuring services are innovative, have capacity to improve and be responsive and are integrated.
- need to actively improve skills and approach to commissioning, increasingly undertaking both market shaping and market development activity
- SMEs and the third sector are highly valued and can bring significant added value, recognise all sectors have a place and value to add, and so promote a balanced mixed economy of providers, a blended approach. However, either across the county or in individual localities VCS/SME organisations COULD potentially provide the best value service and bring additional social value
- Three significant themes emerged during the review – to promote opportunities, to remove barriers, and to build capacity. The recommendations focus on
 - Clearly defining our Commissioning vision and establishing the hierarchy of priorities and importance of social value
 - Fostering better relationships between commissioning and providers, and culture of collaboration
 - Ensuring excellent, appropriate and timely communication
 - Building excellent engagement and development of the Market
 - Simplifying and standardising procurement processes further to remove existing barriers to both VCS and SME and ensuring processes are proportionate
 - Promoting the use of and availability of opportunities for VCS and increasing SME participation in procurement
 - taking greater account of social value in evaluation of tenders /services
 - Embedding outcome focus, culture of collaboration and performance management.

3.2 At the last meeting of the Select Committee, all parties present agreed the recommendations included in the Select Committee's report, which is attached as Appendix 2.

4. Conclusions

4.1 We welcome the report and would like to congratulate the Select Committee on completing this piece of work.

4.2 We would also like to thank all the witnesses who gave evidence to the Select Committee, and the officers who supported it.

4.3 Mr Mike Angell, Chairman of the Select Committee, will present the report to the County Council and the Select Committee would welcome your comments.

5. Recommendations

5.1 The Select Committee is thanked for its work and for producing a relevant and balanced document.

5.2 The witnesses and others who provided evidence and made valuable contributions to the Select Committee are thanked.

5.3 County Council's comments on the report and its recommendations are welcomed.

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Background documents
None

Appendix One: Evidence Gathering

A list of contributors - All provided written evidence prior to meeting with the Committee

Tuesday 14th January 2014

Judy Doherty, Business Transformation and Programmes Manager, KCC

Tuesday 21st January 2014

John Burr, Principal Director of Transformation, KCC

Mark Lobban, Director of Strategic Commissioning, KCC

Henry Swan, Head of Procurement, KCC

Wednesday 22nd January 2014

Dean Benson, Contract Director - Transportation, Amey

Sam Buckland, Audit Manager, Internal Audit, KCC

Wednesday 29 January 2014

Keith Harrison, Chief Executive Action with Communities in Rural Kent

Roger House, Chairman, Kent & Medway Federation of Small Businesses with

Tim Colman, Director of Partnership Working Limited &

Alison Parmar, Development Manager, Kent & Medway Federation of Small Businesses

Jan Perfect, Chief Executive, Case Kent

Thursday 30th January 2014

Peter Heckel, Director, Project Salus

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Monday 3rd February 2014

Angela Slaven, Director of Service Improvement, KCC

Nigel Baker, Head of Integrated Youth Services, KCC &

Andy Jones, Planning and Development Manager, KCC

Jason Martin, Director, CAP Enterprise

Tuesday 4th February 2014

Karen Sharp, Head of Public Health Commissioning, KCC

Ryan Campbell, Chief Executive, KCA &

Karen Tyrell, Director, Development and Marketing, KCA

Sean Kearns, Chief Executive, CXK &

Stephen Bell, Director of Business Development, CXK

Thursday 6th February 2014

Peter Turner, Chief Executive, Carers First &

Lorraine Williamson, Chief Executive, Crossroads Care East Kent

Diane Aslett, Development Officer, Age UKs in Kent Consortium with

Nigel Vian, Chief Executive, Age UK North West Kent &

Gillian Shepherd Coates, Chief Executive, Age UK Sevenoaks and Tonbridge

Emma Hanson, Head of Strategic Commissioning - Community Services, KCC

Friday 7th February 2014

Christy Holden, Head of Strategic Commissioning (Accommodation Solutions), KCC
Adrian Adams, Chief Operating Officer, Kent & Medway Care Association / Research Fellow at University of Kent with
Gill Gibb, Member of the Kent Care Homes Association &
Ann Taylor, Chair of the Kent and Medway Care Alliance Board &
Clare Swan, Member of the Board of the Kent Care Homes Association
Comments received as written evidence.

Evidence gathering - Written Evidence to the Select Committee

To complement evidence heard by members of this Select Committee during their witness hearings; KCC commissioners from across the directorates and a selection of organisations from across Kent were invited to submit their views regarding “How KCC can become a better commissioning authority – in particular removing barriers to small to medium businesses, voluntary agencies and the social enterprise sector?” for the final session on written evidence , Friday 7th February 2014.

Twenty-two organisations from across Kent were invited to send in written evidence. The organisations invited to comment were:

1. A range of Voluntary Agencies and Social Enterprises: both providers and infrastructure organisations;
2. Contracted Youth Services providers;
3. Organisations who had been both successful and unsuccessful in procuring KCC contracts

Findings of the Commissioning Select Committee

“Better Outcomes, Changing Lives, Adding Social Value”

The Commissioning Select Committee Report, which examines how KCC could become better at commissioning public services for better outcomes with a focus on the VCS and SME sector.

FINAL REPORT



FOREWORD TO THE SELECT COMMITTEE REPORT ON COMMISSIONING

The subject is very complex and the witnesses have given evidence in a way that has shown that they desire to help in developing improvements to the commissioning of services.

The Social Value element has been difficult to quantify but the report does show that much can be achieved by way of inclusion in contracts.

Some important issues are member involvement in oversight, simplification of process and relationship with providers. The latter point emphasises that service provision by sources outside the County Council is an extension of the Council's determination to provide high standards of service to our residents.

I hope that you enjoy reading the report and I look forward to receiving the action plan.

In presenting this report I thank the Members of the Committee for their time and commitment. Altogether the Members of the Committee have participated with energy and addressed the task in an example of cross party collaboration. I would like to thank the research team headed by Philippa Cracknell and assisted by Jude Sage. In addition Democratic Services have been very helpful in taking minutes and giving guidance with the process.

Mr Mike Angell (Chairman)

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Glossary and Acknowledgements

Activities	what an organisation does with its inputs in order to achieve its missions
Impact	any change resulting from an activity, project or organisation. It includes intended as well as unintended effects, negative as well as positive, and long term as well as short term
Inputs	resources that contribute to a programme or activity including income, staff, volunteers and equipment
IPC	Institute of Public Care
ITT	Invitation to Tender
NCVO	National Council of Voluntary Organisations
Outcomes	benefit or changes for participants or intended beneficiaries
Outputs	countable units and direct products of a programme or organisation's activities
PIN	Prior Information Notice
PQQ	Pre Qualification Questionnaire
PBR	Payment by results contracts
IFG	Institute for government
CGF	Calouste Gulbenkian Foundation
VCSE	voluntary, community and social enterprise sector

Comments or quotations within the report are from comments made at evidence sessions held by the Select Committee or from written evidence received.

The Select Committee would like to thank ...

the external witnesses, organisations and KCC Officers who gave up their time to give evidence to assist with this review by attending hearings, submitting written evidence, or taking part in informal consultation or advice-giving.

All the information received, whether or not it has been included in the final report, has contributed to the Select Committee's knowledge and appreciation of the issues.

Our thanks go to our Research Officers, Philippa Cracknell and Jude Sage whose patient toil to inform views and opinions with evidence underpins all that follows, and to Democratic Services for their support.

Executive Summary

This report examines how KCC can improve the commissioning of KCC services, with a particular focus on removing barriers to entry for the provision of KCC services, particularly for small to medium sized enterprises (SMEs) and members of the voluntary, community and social enterprise sector (VCSE); how the voluntary, community and social enterprise sector (VCSE) can play a more important role in the provision of KCC services and considers if the authority is using its commissioning processes to ensure it meets its duties under the Social Value Act.

The issues considered include

- the strategic context and our role as a commissioning organisation,
- the costs of entry into KCC commissioning and procurement exercises,
- how any barriers to entry for new providers might be mitigated or removed,
- the extent to which KCC decommissions and re-commissions services based on provider performance,
- how KCC can best discharge its responsibilities through the Social Value Act and the extent that social value requirements be sought throughout the KCC supply chain

Commissioning and the Key Challenges:

A successful commissioning approach can be used to redesign services, join up resources to focus on outcomes in the most efficient and effective way; taking a whole-system approach and totality of resources to consider different ways of achieving improved outcomes. It has been identified as an area for corporate improvement that KCC actively improves its skills and approach to commissioning, increasingly undertaking both market shaping and market development activity. KCC needs to become better at commissioning, optimising and targeting resources, choosing the right mechanism to best achieve desired outcomes, ensuring open and fair competition for public sector contracts, across sectors, and removing barriers from entry to the market.

The key challenges for Kent are:

- Commissioning strategically, ensuring equitable services are available across Kent
- Ensuring KCC has a firm grip on cost and quality
- Ensuring KCC embeds a culture of performance management with all providers
- Developing a better understanding/evidence base regarding return on investment, including how to monitor preventative services for their impact in demand management and prevention,
- Promoting and supporting 'whole systems thinking'; collaboration and joint working with providers across sectors, developing 'circles' of support networks to support independence and reduce crisis situations.

The Commissioning Landscape in Kent and a blended approach

There is a range and breadth of commissioning activity across KCC in established service areas (e.g. Social care) and new service areas (e.g. public health). There are a large number of VCSE organisations and businesses in Kent, delivering services related to KCC's core business. There is no guarantee, that a) there are always VCSE organisations or SMEs available to deliver services in any particular area of business or b) that organisations have the capacity to deliver.

The drive is to get the best possible service for service users, with a focus on outcomes for individuals, within the budget set by the County Council and to seek additional social value. It is about choosing the right mechanism and best provider to deliver the services, whether in-house, private, VCSE or SME. It is not an automatic link between commissioning and outsourcing, or especially outsourcing problems, but using commissioning as a common base to commission both internally and externally delivered services. The key is linking the right service capability to the right objectives, and securing that capability.

The evidence encapsulated three things:

- commissioning is a very dynamic and changing process
- there is a big difference in commissioning a service and commissioning a product so need different approaches in recognition of this
- SMEs and the third sector are highly valued and bring significant added social value, but should be recognised that all sectors have a place and value to add, and as such there should be a balanced mixed economy of providers (private, VCS, SME and in-house), a blended approach.

There remains a tension between the need to aggregate demand in the market to achieve economies of scale, and the desire to promote local economic growth by focusing significant spending locally, and a balance to be found between larger long term contracts and SME and local supplier support, and a need to maximise added value.

However, either across the county or in individual localities VCSE and SME organisations COULD potentially provide the best value service and bring additional social value.

The potential of public sector spending to support added social value and local economic development is widely recognised, and KCC procurement has the potential to create significant business and growth opportunities through increased participation by small and medium sized businesses (SMEs), as well as improving access to their creativity and innovation. It is recognised that the Voluntary Sector makes key contributions for example to reducing crime, to the environment and has become a powerful agent for social inclusion and enhancing community capacity, breaking barriers, reaching families, building greater self-reliance and social mobility. The sector has enhanced knowledge and information about what is happening locally and insight into local needs; the ability to adapt to changing needs and innovate, and is especially adept at developing connections and relationships.

Nationally small and medium sized business and VCS organisations have found that bidding for public sector contracts can be over bureaucratic, time-consuming and expensive. This has been recognised most recently by Lord Young's report, *Growing Your Business*, published in May 2013, and by Lord Heseltine's report *No Stone Unturned* which was published in March 2013. Although there is much good practice evident, small business and VSCE organisations still face hurdles to competing with larger firms for public sector contracts – therefore missing out on opportunities for business while the public sector misses opportunities for potential growth and innovation, (HM Govt.) and is an issue reflected in Kent.

The Committee, aware of the economic and social value voluntary, community not-for-profit organisations and SMEs provide, would like to maximise where appropriate the use of these organisations with the capacity and skills needed to achieve the outcomes KCC has determined to be important.

What is successful commissioning?

There is an increasingly complex commissioning environment with challenges and opportunities for commissioners and providers, not least in how to join up services better at a local level and meet needs in an integrated, holistic and transformative way that delivers results over the long term. Complex commissioning seeks to create integrated services that are co-designed with service users and take a more collaborative approach. The 'Beyond Big Contracts' (ISS and CGF) report emphasised this could include for instance more personalised support, co-designed cross-sector services with service users, providers, cross sector commissioners and agencies working together; an integrated front line and more flexible services.

There is need for an approach that builds 'whole systems' thinking, networks of supply and can utilise 'co-creation of value – ensuring services are innovative, have capacity to improve and be responsive and are integrated. To commission services successfully KCC will need to be outcomes focussed from needs assessment through to monitoring of contracts; joined up; excellent at specifying services with complex outcomes; and create space and environment for innovation and social value.

To take advantage of commissioning, KCC needs to explore how communities can define and shape their own outcomes; maximise the potential of the Social Value Act, and build skills and capacity.

Next Steps

The Select Committee heard evidence of the range and breadth of commissioning activity across KCC service areas and engagement to improve our commissioning practices and support providers including VCSE and SMEs – with examples of good practice, partnership, innovation and steps being taken to improve how KCC commission. There is much to be acknowledged but there is still a journey to make. To be an intelligent client and commissioner, KCC has to adopt a number of different roles such as shaping markets, enabling social capital of local communities and promoting enterprise as well as procuring and providing services; linking the right source of capability (e.g. user led group, SME,

VCSE, private provider or in-house service) for a particular objective and use the right mechanism to secure it (e.g. grant funding, commissioning model, contract).

Three significant themes emerged during the review – to promote opportunities, to remove barriers, and to build capacity.

VCSE and SMEs consistently highlighted a need for measures focused on process simplification, better promotion of opportunities, creating room for innovation, breaking down of contracts into smaller lots where feasible and their early and positive engagement.

As an organisation there is a need for us to focus on:

Clearly defining our Commissioning Policy/Strategy, Roles and Responsibilities

- defining our strategy and establishing the hierarchy of priorities and importance of social value,
- setting clear roles and responsibilities in the commissioning and procurement cycle and tasks to be undertaken
- becoming more complex in what we do, taking a cross-department approach to activities – looking at joined up commissioning and thinking across KCC
- strengthening the role for Member oversight within Contract management and Commissioning
- skills and behaviours are a concurrent theme that runs behind the key issues in this report – Market engagement, relationships, communication, contract management.

Excellent, appropriate and timely communication

- keeping providers informed and raising levels of awareness, and promotion of opportunities to engage SMEs, VCSE
- enabling planning and positive networking to build stronger bids by giving earlier notification and information to organisations regarding services authority wanting to commission

Excellent engagement and Market development

- building better working relationships between commissioning and providers, and culture of collaboration, encouraging partnership working with providers.
- greater understanding of capabilities of service sector, informed service design and improving quality of specifications, to ensure can commission intelligently and are an intelligent client, with excellent pre-market engagement and Co – design and Co –production of services and outcomes
- building capacity ahead of opportunities becoming available
- enabling of innovation (through market engagement, development of specifications, the choice of commissioning models and contract types)

- to support market development and improve the capability, skills and capacity of organisations to tender, and ensure have initiatives to support and develop potential of SMEs and VCSE
- seeking to use and promote VCSE and SMEs wherever possible but maintain mixed economy/ a blended approach

Simplifying and standardising procurement processes further

- removing existing barriers to both VCSE and SME and ensuring processes are proportionate, (adopting a standardised shorter PQQ; simplifying processes for smaller procurements/low value contracts; streamlining financial appraisal; adopting a 'lot' approach where possible; e-tendering easily navigable and simple to use)
- availability of opportunities for VCSE and increasing SME participation in procurement
- making it easier to enter into new markets
- taking greater account of social value in evaluation of tenders /services

Embedding outcome focus and excellent Contract management

- outcomes that are measureable, achievable yet challenging
- capabilities to contract manage with robust performance management, clear responsibilities, supportive and clear targets for improvement if needed
- work to get the personality processes right for collaboration internally and externally and to support culture change
- need to take some level of risk and be risk aware not risk averse

Maximising Social Value

- important to incorporate and recognise social value in our commissioning and procurement of services
- recognise that quantifying all social value can be difficult
- clarify the social value or social benefits KCC are looking for and importance of community influence and in deciding social value

The Recommendations of the Committee:

Our challenge to the whole of KCC and to the sectors involved is to work more collaboratively to shift culture and deliver better outcomes through a mixed economy.

The recommendations from this report seek to improve how KCC commissions services and mitigate some of the barriers for VCSE and SME Providers.

In the spirit of challenge to officers to drive improvement in our commissioning the evidence points directly to 6 key points:

- We can improve our commissioning
- Can develop a mixed economy – eclectic, using both big and small providers from all sectors and KCC in-house provider units, with key role for VCSE and SMEs
- Can further support and encourage VCSE and SMEs to provide services directly or as part of the supply chain.
- Can support social and micro enterprises to grow and deliver outcomes
- Can improve contract monitoring and contract management
- Can take more account of social value

Commissioning Landscape

1: Support the development of a balanced and mixed economy of potential service providers, balancing cost and maximising where appropriate the use of VCSE and SME organisations with the capacity and skills needed to achieve the outcomes required.

KCC as an excellent Commissioner

2: Clarify KCC Commissioning objectives and approach, and develop a KCC Commissioning Strategy.

3: Define roles, responsibilities and relationships in the commissioning cycle, agree who is best placed to carry out the different tasks and decide when and how legal advice should be considered in the procurement cycle.

4: Develop the culture of commissioning and contract management, with an ethos of collaborative relationships.

5: Extend the Kent Compact or similar agreement to include private sector providers working with VCSE organisations.

6: Invest time defining the desired outcomes and measures (quantitative and qualitative), ensuring these are user and communities focused and evaluate impacts (not outputs), using Co-production of outcomes and measures where appropriate.

7: Improve how we join up commissioning across the authority. There is a need for better collaboration and partnership building across silos and with providers.

Engagement and Communication

8: Provide more opportunities to co-design and co-produce services where appropriate, to capture the value of what organisations are already doing, and ideas to innovate.

9: Need to ensure that specifications are 'fit for purpose' - reflect market engagement, identify level of need and desired outcomes, allow innovation and flexibility leading to better contracts.

10: Actively consider how service users and stakeholders can have greater input and influence in the specification, and service users in the evaluation of tenders.

11: Ensure appropriate and timely communication throughout the market engagement and tendering processes – about timeliness, communicating reasons for changes, levels of awareness.

12: Promote contracting opportunities to VCSE and SMEs and Better or enhanced promotion of the Kent Business Portal to increase awareness (including with small and micro enterprises), and for the Portal to be more easily navigable.

13: Extend the use of the portal to enable other local Authorities to promote contract and subcontracting opportunities, broadening potential access for VCSE and SMEs.

Procurement Process

14: Strengthen our processes to access and utilize knowledge of Commissioners and potential providers - KCC should consider within the current tendering process and complying with procurement law how KCC can strengthen our understanding of the local knowledge and experience of organisations, for example by incorporating

- visits to existing services of potential providers
- reflecting knowledge of past performance/experience of working with a provider, both good and not so good.

15: Simplify and standardise procurement processes further to remove or minimise procurement process barriers by:

- introducing reduced and less onerous requirements for low value contracts (e.g. financial evidence - self certification/documentation for low risk/low value followed by a more detailed analysis if proceed to award stage, proportionate pre qualification)
- simplifying and standardising the core and online PQQ, retaining the flexibility to add additional questions for more complex service areas
- having better co-ordination of Commissioning and co-ordinating the diary of tenders across KCC where possible and introducing a plan of tenders
- Giving earlier notice of intention to put contract out to tender and more time for the completion and submission of tenders.

16: Promote opportunities to VCSE and SMEs through publication of lower value contracts (i.e. £5K) and greater transparency regarding low value contracts that are available.

17: Reflect Social Value sufficiently in our procurement decisions – need to actively consider how much of each procurement decision should be assigned to Social Value, and not only between price and quality.

Support to develop the Market and build capacity

18: Actively consider how best to support the development of the market and build capacity, particularly how best to provide support to VCSE and to SMEs.

Contracts and Grants

19: Break down larger contracts into smaller lots, wherever practical.

20: Requirement for prompt payment terms all the way down our procurement supply chain continues to be built into contracts; and improve monitoring of this requirement to ensure compliance.

21: Recognise there is a clear role for ‘smart’ grants that are innovative and outcome based. Need to ensure that their use is transparent and are time and task specific, and monitored / evaluated for success.

22: Improve the capabilities to performance manage contracts; and ensure the capacity to monitor and evaluate performance and support improvement when appropriate.

23: Stipulate that all contracts have clearly scheduled performance reviews and evaluate outcomes/outcome evaluations – for instance ensure contracts have schedule of reviews

24: Complete the Contracts register to include all contracts over 50k – and include details of the named contract manager, and Lead Director.

25: Manage internally provided Services with as much rigour for outcomes, and performance management as other providers.

Member Role

26: Further work is undertaken to the member role and what mechanism would best strengthen member oversight of commissioning, procurement and contract management; and member involvement earlier in the process and pre market engagement; and members are supported through training.

Social Value

27: To maximise and give greater recognition to Social Value, incorporate consideration of social value questions in tender evaluation criteria and procurement decisions where possible, and develop a Social Value Charter.

1 Background

1.1 The Select Committee Membership (Conservative 5, UKIP 2, Lab 1, Lib Dem 1)



Mike Angell



Matthew Balfour



Nick Chard



Tom Gates



Clive Pearman



Mike Baldock



Hod Birkby



Gordon Cowan



Martin Vye

1.2 Terms of Reference and Scope of the Select Committee

The Select Committee on Commissioning and Procurement was established by the Scrutiny Committee on 12 November 2013 to make recommendations to KCC to support the improvement in commissioning KCC services.

The terms of reference agreed by the Select Committee on 16th December 2013 were:

- a) to determine what KCC needs to do to become a better commissioning authority, with a particular focus on removing barriers to entry for the provision of KCC services from new providers, particularly small to medium sized enterprises (SMEs) and members of the voluntary, community and social enterprise sector (VCSE).
- b) to consider if the authority is using its commissioning processes to ensure it meets its duties under the Social Value Act
- c) to examine how, in becoming a commissioning authority the voluntary, community and social enterprise sector (VCSE) can play a more important role in the provision of KCC services
- d) to make recommendations around the role of KCC as a commissioning authority and the programme of activity through Facing the Challenge that will move the authority to have a commissioning focus and improve how we do commissioning.

The issues to explore are given in summary below and are expanded in Appendix 1 for reference:

- a) the strategic context and our role as a commissioning organisation
- b) the costs of entry into KCC commissioning and procurement exercises, and if these costs present a significant barrier to new providers
- c) how any barriers to entry for new providers might be mitigated or removed
- d) the extent to which KCC decommissions and re-commissions services based on provider performance
- e) How KCC can best discharge its responsibilities through the Social Value Act
- f) the type of social benefits that should be sought through commissioning /procurement practices (e.g. apprenticeships)
- g) the extent that social value requirements be sought throughout the KCC supply chain

1.3 Methodology

The review commenced by looking at existing research and national papers. The committee gathered evidence during January and early February 2014, through hearings, briefing papers and written evidence from providers including VCSE and SME, Infrastructure Organisations, representative bodies, and Officers with Commissioning or procurement roles.

A list of those who took part or were invited to submit written evidence is detailed in Appendix 2.

2 Introduction – Context and Overview

2.1 Definitions of Commissioning

- 2.1.1 There is no singular, overarching definition of commissioning and there are many associated terms such as ‘procurement’, ‘purchasing’ and ‘contracting’. Some popular definitions are

*“Commissioning is the cycle of assessing the needs of people in an area, designing and then achieving appropriate outcomes. The service may be delivered by the public, private or civil society sectors.”
(Modernising Commissioning Green paper 2011)*

“Assessing the needs of the population in an area, designing then securing the delivery of services” (Cabinet Office. LGA July 2013)

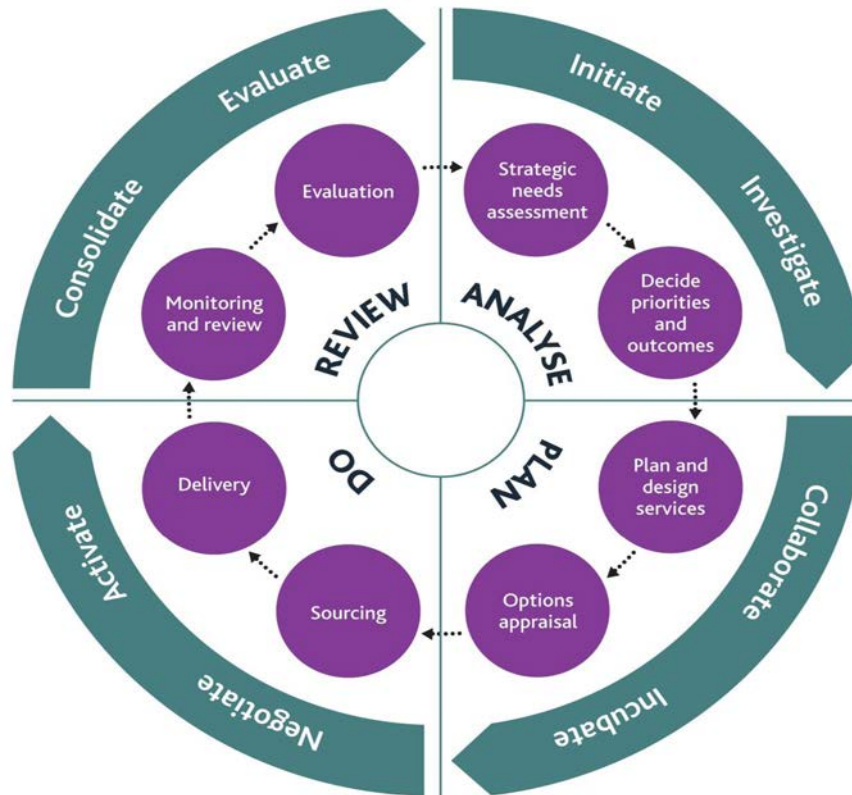
- 2.1.2 Commissioning describes the strategic process of designing services and choosing delivery agents. It is often described as a cycle of activities including assessment of needs, securing services, contract management and evaluating outcomes. Procurement is the means by which you secure the services needed.

“Procurement is the process of acquiring goods, works and services from third parties... the aim is to achieve best value for money, taking into account social value and ensuring quality of procurement decisions taking account of quality and cost” (LGA 2013)

Figure 1 shows a graphical representation of a commissioning cycle.

- 2.1.3 The term ‘Complex Commissioning’, signifies a change in the commissioning environment, driven by social, economic and operational shifts and refers to the emergence of collaborative arrangements that respond more effectively to a range of interrelated user needs – thinking across service boundaries to address the root causes of demand, such as family breakdown. (ISS CGF Beyond Big Contracts). The traditional ‘commissioning cycle’ is a more simple view of the complex commissioning process. Associated concepts are co-production, asset based approaches, market management, outcome based commissioning, social value, decommissioning. (CLLR June 13).

Figure 1: A graphical representation of a commissioning cycle



Source: CGF, ISS. Beyond Big Contracts

2.2 The Social Value Act and definition of Social Value

2.2.1 The Government has published the [revised Statutory 'Duty of Best Value'](#) and the '*Public Services (Social Value) Act*' which both see more recognition of 'Social Value' in commissioning & procurement processes. The Act legislates to give charities, social enterprises and employee-led mutuals a better chance of competing for contracts, as there is a requirement for all public sector contracts to give consideration during the pre-procurement stage for provisions relating to social outcomes and 'Social Value'. However in doing this it does not exclude businesses - allowing small for-profit businesses run by local entrepreneurs and private sector companies who take their corporate social responsibility seriously and could be considered as undertaking a social role, to compete fairly, equitably and transparently for contracts in accordance with EU procurement rules.

2.2.2 The *Public Services (Social Value) Act*'s legislates that at the pre-procurement stage of the commissioning process local Authorities must consider:

1. "consider how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area" - section 1(3)(a);
2. "consider how, in conducting the process of procurement, [the authority] might act with a view to securing that improvement" - section 1(3)(b); and

3. "consider whether to undertake any consultation as to the matters that fall to be considered under subsection (3)" - clause 1(7).("the Social Value Duties")

2.2.3 'Social Value' is really the added value received when a supplier, as part of fulfilling a contract, also contributes to the public good in ways that go beyond simply meeting the basic contract terms. To use an analogy – it is the additional value gained from each £1 invested, a form of 'planning gain'. Some examples of 'Social Value' in practice might be sourcing food locally with impacts both on local employment and the environment; a transport company that tenders to run bus services and offers to provide added value through the delivery of a dial-a-ride service, or a housing management company which wins a contract to undertake property maintenance work and provides 'Social Value' by committing to employ local apprentices, quantified as for the interests of a community. The 'Social Value' outcomes desired may differ on a case by case basis.

2.2.4 The following definitions were offered by a 2009 NHS commissioned project into 'Social Value':

" 'Social Value' is the additional benefit to the community from a commissioning/procurement process over and above the direct purchasing of goods and services'."

"Social value can be distinguished from the wider notion of public value or the narrower concept of individual value. It represents delivery of the collective desired needs of individuals who share common expectations through increased social capital, citizen well-being and entrepreneurialism."

2.3 Local Context:

2.3.1 Public Service models are changing nationally. Local Authorities are facing reductions in public spending, future significant increase in demand for services and increased public expectation about quality of services.

2.3.2 It is a time of transformational change and redesign of services, new partnerships and ways of working, to potentially have better services in terms of results, value for money and efficiency.

2.3.3 Commissioning is fundamentally linked to the core themes of 'Bold Steps' and KCC's policy framework – to help the Kent economy grow (developing a mixed market economy, commissioning and procurement supporting Kent businesses and not for profit organisations by tendering in ways that allow them to be competitive and deliver value), to put the citizen in control by understanding needs and needs reflected in service (enabling communities to be more resilient, designing services) and to tackle disadvantage through commissioned services and social value, such as apprenticeships.

- 2.3.4 A successful commissioning approach can be used to redesign services, join up resources to focus on outcomes in the most efficient and effective way; taking a whole-system approach and totality of resources to consider different ways of achieving improved outcomes.
- 2.3.5 In meeting Facing the Challenge and Whole Council Transformation KCC is commissioning more of its services. The fundamental objective of the approach is to ensure KCC becomes an outcome focussed organisation – affecting how KCC undertakes service redesign, strategic planning and manage performance effectively. It has been identified as an area for Corporate improvement that KCC actively improves its skills and approach to commissioning, increasingly undertaking both market shaping and market development activity. Facing the Challenge proposes the establishment of a professional corporate team with a specific role to embed commissioning arrangements, ensure robust internal challenge, consider how to improve capacity to do market development and shaping activities, define skills required for staff engaged in commissioning activity, identify opportunities for joint commissioning across the authority (and with partner organisations) and develop a mechanism to monitor the effectiveness of our commissioning activity.
- 2.3.6 KCC needs to become better at commissioning, optimising and targeting resources, choosing the right mechanism to best achieve desired outcomes, ensuring open and fair competition for public sector contracts, across sectors, removing barriers from entry to the market for the provision of KCC services, particularly for small to medium sized enterprises (SMEs) and members of the voluntary, community and social enterprise sector (VCSE) who play a vital role in supplying goods and services. In October 2012 the new commissioning structure for Families and Social Care was established with three distinct teams; Children’s commissioning, Adult Community Support and Adult Accommodation Solutions.
- 2.3.7 The key challenges for Kent include
- Commissioning strategically to end the postcode lottery and ensure equitable services are available across Kent
 - Ensuring have firm grip on cost and quality
 - Ensuring embed a culture of performance management with all providers
 - Developing a better understanding/evidence base regarding return on investment, including how to monitor preventative services for their impact in demand management and prevention, ensuring evaluation criteria includes social value and social return on investment.
 - Promoting and supporting ‘whole systems thinking’, collaboration and joint working with providers across sectors, developing ‘circles’ of support networks to support independence and reduce crisis situations.
 - Considering the best way to contract with providers that allow new providers to enter the Kent market, through duration of contract, including from Community Interest companies

Key Findings

3 The Commissioning Landscape

3.1 The Commissioning Landscape in Kent and a blended approach

- 3.1.1 There is a range and breadth of commissioning activity across KCC in established service areas (e.g. Social care) and new service areas (e.g. public health). There are a large number of VCSE organisations and businesses in Kent, delivering services related to KCC's core business.
- 3.1.2 There is no guarantee, that a) there are always VCSE organisations or SMEs available to deliver services in any particular area of business or b) that organisations have the capacity to deliver. The drive is to get the best possible service for service users, with a focus on outcomes for individuals, within the budget set by the County Council and to seek additional social value.
- 3.1.3 The evidence gathered by the Select Committee encapsulated three things:
- commissioning is a very dynamic and changing process,
 - there is a big difference in commissioning a service and commissioning a product so need different approaches in recognition of this,
 - SMEs and the third sector are highly valued and bring significant added social value, but should be recognised that all sectors have a place and value they can add. There should be a balanced mixed economy of private, VCSE, SME and in-house commissions, or blended approach, and a place for contracts and robustly monitored time and task specific grants.

There is a balance to be found between larger long term contracts and SME and local supplier support, and remains a tension between the need to aggregate demand in the market to achieve economies of scale, and the desire to promote local economic growth by focusing significant spending locally.

- 3.1.4 However, either across the county or in individual localities VCSE/SME organisations COULD potentially provide the best value service and bring additional social value.
- 3.1.5 The public sector in the UK spends £230 billion a year on the goods, services and works it needs to deliver public services (HM Govt). The potential of public sector spending to support local economic development is widely recognised. Public sector procurement has the potential to create significant business and growth opportunities through increased participation by small and medium sized businesses (SMEs), as well as improving the public sector's access to their creativity and innovation. SMEs are an important engine for growth, both nationally and for the Kent economy.

- 3.1.6 There are many examples of small suppliers delivering significant benefits to the public sector through greater innovation, at comparatively lower cost base than larger businesses. Recent data from the Office of National Statistics Annual Business Survey 2012 shows that, on average, SMEs create around £34 of gross value added to the UK economy for every £100 of turnover, while the comparative figure for large businesses is £27. Similarly research looking at effect of local spend found that every £1 spent by a local authority with local SMEs generated an additional 63p benefit for their local economy compared to 40p for larger firms. (Centre for Local Economic Strategies for the FSB.)
- 3.1.7 The voluntary sector is not a homogenous group and it should be recognised that there are considerable differences in their sizes and resources and levels of reliance on public funds. NCVO's 2013 almanac focuses on the 'voluntary sector,' comprising of 162,177 voluntary organisations, over half of which are micro-organisations with an income of less than £10,000, compared to 0.3% of the sector comprised of 507 major organisations with multi-million pound turnovers that generate 47% of its income (ISS Beyond Big Contracts report.)
- 3.1.8 The voluntary sector makes key contributions for example to reducing crime, to social inclusion, to the environment and has become a powerful agent for social inclusion and enhancing community capacity, breaking barriers, reaching families, building greater self-reliance and social mobility. The sector has enhanced knowledge and information about what is happening locally and insight into local needs; ability to adapt to changing needs and innovate and is especially adept at developing connections and relationships. It was reported that for some voluntary sector organisations that for every £1 spent there is match funding of £10 (Action with Communities in Rural Kent).

"Local VCSE organisations share the commitment to having strong communities, local people in skilled jobs, reduced crime and social isolation. They have "skin in the game" as their activities, and futures, are in Kent."

"We are able to draw on the support of our volunteer mentors who either provide office support, fundraising or use their knowledge and expertise to help move young people into positive progression."

- 3.1.9 Nationally the main barriers recognised include the
- Capacity and skills to bid for and deliver contracts effectively
 - Awareness of potential procurement opportunities
 - Lack of understanding or knowledge of operation of local government
 - Bureaucratic nature of local procurement practices

- Lack of awareness and understanding of SMEs , and how to engage with them and what they could offer
- Need for procurers to achieve economies of scale in their procurement practices

(FSB summary)

- 3.1.10 Small and medium sized business and VCSE organisations have found that bidding for public sector contracts can be over bureaucratic, time-consuming and expensive. This has been recognised most recently by Lord Young’s report, *Growing Your Business*, published in May 2013, and by Lord Heseltine’s report *No Stone Unturned* which was published in March 2013. Although there is much good practice evident, small business and VSCE organisations still face hurdles to competing with larger firms for public sector contracts – therefore missing out on opportunities for business while the public sector misses opportunities for potential growth and innovation, (HM Govt.) and is an issue reflected in Kent. Significantly if organisations are unable to win tenders and therefore not gain income from contracts their sustainability may be threatened.
- 3.1.11 The Committee, aware of the economic and social value voluntary and community not-for-profit organisations and SME provide, would like to maximise where appropriate the use of these organisations with the capacity and skills needed to achieve the outcomes KCC has determined to be important.

Recommendation 1:

Support the development of a balanced and mixed economy of potential service providers, balancing cost and maximising where appropriate the use of VCSE and SME organisations with the capacity and skills needed to achieve the outcomes required.

3.2 What is successful commissioning?

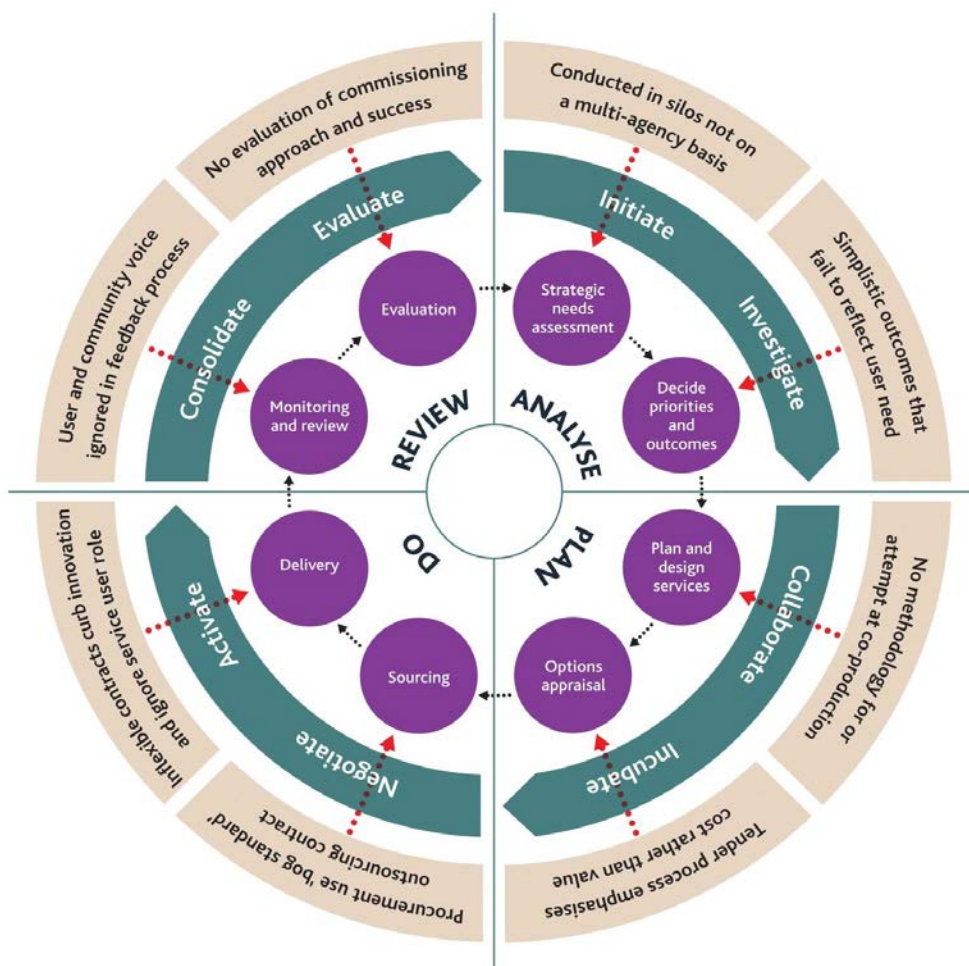
- 3.2.1 Successful commissioning ultimately means commissioning public services for better outcomes - delivering the right outcomes at the right cost. At the heart of which it is vital that the needs of service users and communities are put first and foremost.
- 3.2.2 There is an increasingly complex commissioning environment with challenges and opportunities for commissioners and providers, not least in how to join up services better at a local level and meet needs in an integrated, holistic and transformative way that delivers results over the long term. Complex commissioning seeks to create integrated service that are co-designed with service users and take a more collaborative approach. The ‘Beyond Big Contracts’ (ISS and CGF) report emphasised this could include for instance more personalised support, co-designed

cross-sector services with service users, providers, cross sector commissioners and agencies working together; an integrated front line and more flexible services.

3.2.3 There is need for an approach that builds ‘whole systems’ thinking, networks of supply and can utilise ‘co-creation of value – ensuring services are innovative, have capacity to improve and be responsive and are integrated. To commission successfully KCC needs to be outcomes focussed from needs assessment through to monitoring of contracts; joined up; excellent at specifying services with complex outcomes; and create space and environment for innovation and social value. To take advantage of commissioning KCC need to explore how communities can define and shape their own outcomes (see market engagement), maximise the potential of the Social Value Act, and build skills and capacity.

Are KCC and the markets ready for a complex commissioning environment?

Figure 2: Structural weaknesses in the complex commissioning environment.



Source: Collaborate: CGF, IFG. Beyond Big Contracts. 2014

4 Making sure KCC is an Excellent Commissioner

4.1 Emerging themes

4.1.1 The Select Committee heard evidence of the range and breadth of commissioning activity across KCC service areas and engagement to improve our commissioning practices and support providers including VCSE and SMEs – with examples of good practice, partnership, innovation and steps being taken to improve how KCC commissions, for example:

- improved performance management - introduction of performance monitoring for some contracts through re-let, and re-let of inherited contracts; and financial reclaim for poor performance/non delivery of contract
- growth of new social enterprises and support to grow business, e.g. The Community Chef
- support to providers to understand the commissioning process
- introduction of the Kent online Business Portal
- shift to being outcome focused and improvement in raising standards of delivery
- drive and commitment of officers
- innovation from providers e.g. protecting gullies from theft, using tablets to share information directly.

4.1.2 There is much to be acknowledged but there is still a considerable journey to take. Three significant themes emerged during the review – to promote opportunities, to remove barriers, and to build capacity. VCSE and SMEs consistently highlighted a need for measures focused on process simplification, better promotion of opportunities, creating room for innovation, breaking down of contracts into smaller lots where feasible and early and positive engagement of VCSE and SMEs.

In summary as an organisation there is a need to

- bring up to date the terms and conditions and to introduce regular performance monitoring for some contracts (e.g. Accommodation Solutions)
- clearly define our commissioning strategy and hierarchy of priorities
- clarify roles and responsibilities in the commissioning and procurement cycle
- further mitigate existing barriers to both VCSE and SME (e.g. proportionate requirements to value of contract –PQQ, insurances, financial evidence)
- give flexibility and allow room for innovation within specifications
- improve joining-up of commissioning and thinking across KCC
- build better working relationships between commissioning and providers, and culture of collaboration
- ensure contract management is robust, and has the capacity to performance manage and evaluate services
- use frameworks in a more sophisticated way
- consider the role of members and Member oversight

- support market development and improve the capability, skills and capacity of organisations to tender, and consider how best to support and provide training for VCSE and SMEs
- improve communication, timeliness
- mitigate barriers of time, cost of legal advice and additional costs associated with TUPE, pensions, financial risk where possible

4.2 KCC's Commissioning Direction

4.2.1 Although KCC's key documents set out a path of transformation for KCC there is not enough clarity as an organisation about what KCC is trying to achieve through commissioning and the hierarchy of priorities, for example is it value for money, improved outcomes, budget delivery, local, using the voluntary sector and SME organisations; and whether KCC has clarity on local choices in service delivery being different to other areas in Kent.

4.2.2 Clarifying KCC's strategy will make it easier for officers to deliver the intended goal. A strategy could set out KCC's commissioning direction, objectives and commitment to excellent commissioning and core aims of KCC's commissioning approach; provide clarity around what KCC means by commissioning, procurement and contract management; outline basic principles of approach and the types of relationships wanted with providers. e.g. the London Borough of Croydon Strategy.

Recommendation 2:

Clarify KCC Commissioning objectives and approach, and develop a KCC Commissioning Strategy.

4.3 Roles, Responsibilities and Skills

4.3.1 There are some excellent commissioners in Kent, but this can vary. Commissioners have a clear mix of skills, some have expertise in contract management, some in needs analysis and service design. There is a lack of clarity and clear definition around roles and responsibilities of staff in the commissioning cycle, and it has been identified as an area for corporate improvement that KCC actively improves its skills and approach to commissioning and ensures capability to deliver excellent commissioning. The key points are:

- 'muddying' of commissioner/operations role. There is a tendency for some commissioners to be involved very closely undertaking a role more similar to that of a service manager, rather than a contract manager who gives support to a contracted provider.
- lack of clarity in roles and responsibilities for commissioning/procurement officers, and who is best placed to undertake which tasks in the cycle.
- unclear about when and how legal advice should be sought in the commissioning cycle

- difference in core goals for commissioning and procurement, although potentially a shared goal of best value. The perception is procurement are often driven by the need to procure service for the best price, with key drivers to save money, manage risk, and support Kent business.
- better reach of procurement to challenge and advise commissioners on risk, and generally good working relationships.
- an identified need to improve commissioning skills and capabilities to deliver excellent commissioning/contract cycle activities
- skills and behaviours is a concurrent theme that runs behind the key issues in this report – Market engagement, relationships, communication, contract management.

4.3.2 KCC used to run a "Procurement Forum" where all the contracts officers for the different Directorates, together with Legal, Finance and Procurement, would meet monthly to discuss current issues and planned future procurements. It was suggested a forum of this nature be reinstated.

“As KCC becomes more of a commissioning body it is essential that appropriately qualified staff are involved fully at the beginning of the process and this would include lawyers, commissioners, procurement specialists, and contract managers. This will ensure that there is effective sharing of information and learning at the outset. It will be easier then to establish when expertise is required and long term efficiencies would be created.”

4.3.3 It is recognised that the social care commissioning function needs to modernise and transform, that roles are clearly defined and staff are supported to develop skills and capabilities for our evolving commissioning environment. There is a clear commitment to develop the necessary skills and capabilities within social care through a programme of training and development, based on the Institute of Public Care Certificate of Credit in Commissioning and Purchasing for Public Care (IPC).

4.3.4 IPC are supporting KCC Families and Social Care to:

‘ ... develop and adopt a Strategic Commissioning Operating Framework, based on best practice, to standardise commissioning arrangements across the Directorate and within localities.

This includes commissioning arrangements for both adults and children’s services, but also specific operational teams such as Older People’s and Physical Disabilities, and Learning Disabilities and Mental Health commissioner ... and to develop

- *a Strategic Commissioning Operating Framework*
- *a Strategic Commissioning Roles and Responsibilities diagram*

- *a Strategic Commissioning Skills Framework and Self-Assessment and analysis*
- *a programme of support and development, both generic to the whole group and specific to teams.*

Core to which is to

- *Ensure a common understanding of the principles and language of strategic commissioning*
- *Support and adopt good commissioning practice at every level and across every group*
- *Embed the Strategic Commissioning Operating Framework across the Directorate, and*
- *Encourage commissioning behaviours which actively support and facilitate the development of good quality care across Kent.'*

Recommendation 3:

Define roles, responsibilities and relationships in commissioning cycle, agree who is best placed to carry out the different tasks, and decide when and how legal advice should be considered in the procurement cycle.

4.4 Relationships

4.4.1 Relationships are changing, being broken and reformed, and are important throughout commissioning, from pre-market engagement to contract management. Social sector organisations are encouraged to collaborate and there is an increase in subcontracting through use of larger contracts. There is a concern that this growth in sub-contracting arrangements and provider consortia will lead to commissioners becoming less connected to smaller and social sector providers. Commissioners and providers need to work together to improve service co-ordination and outcomes, so collaborative relationships are key. It can take time to build trust.

4.4.2 It is evident that there is an awareness of what constitutes good practice, and evidence of that being realised in certain aspects of pre-market engagement, but evident there is

- a disconnect between commissioners and providers;
- much is dependent on capacity, trust and appetite for collaborative arrangements

- often no partnership between commissioners and providers , for example at tender stage specifications not always reflect the pre-procurement engagement and co-design that has taken place. (see market engagement)
- require open, timely communications so providers can plan and work as effectively and efficiently as possible when tendering

4.4.3 It is good practice in managing a contract that a good relationship between KCC and the contractor is built. ‘Good’ here means: insistent on delivering to contract, evidencing outcomes, but supportive at the same time. The relationships with and approaches of contract managers/commissioners are variable. Some were referred to more like a ‘head teacher/pupil relationship’, with monitoring meetings akin to ‘a police interview’, and low morale.

“with some commissioners there is a real sense of battle fatigue from so much change. This is not good for moral at any level”

4.4.4 It is not a partnership and need targets and outcomes but there is a balance, and those monitoring contracts need to have particular attitudes and skills. There is a need for better collaboration and partnership building. It is about the kind of culture KCC wants and needs as the backbone to its commissioning cycle and how KCC can challenge ‘the human effect’ and the issue that may have some officers who ‘cannot communicate effectively or are rude’. It is paramount that work to get the personality processes right for collaboration internally and externally and support culture change.

“.. recognise the need for SME social care providers to work together and be represented at a strategic level to generate a continuum of cost effective, flexible, responsive, and integrated and community facing services. However this is dependent upon the capacity, trust and appetite of not only suppliers but also KCC for collaborative working arrangements. To date in our experience there is limited evidence of any real desire to have a partnership between commissioners and providers. Culturally this needs addressing and local authority attitudes need changing through training and coaching.” (A Provider Association).

4.4.5 Relationships are also changing within the voluntary sector. Some organisations are forming consortia, retaining their individuality but having a stronger market position and capability to tender and deliver contracts; others are not, some becoming lead organisations. It was reported commissioning to some extent is restricting the informal sharing of ideas that used to happen with other organisations as **they** are now ‘competitors’.

“It is also stops organisations sharing information and best practice, as those who might benefit are usually business rivals.”

4.4.6 With a growth in subcontracting arrangements, organisations can be more reliant on winning tenders from large contracted partners. Commissioners encourage larger organisations to utilise the services of SMEs and VCSE through the supply chain, and opportunities are advertised on the Kent Business Portal. The Kent Compact is an agreement between KCC and the voluntary sector and how they will work together. With the changing relationships and more sub-contracting it is perhaps time to invite the private sector to come to the ‘Compact Table’ so can reflect the Compact in subcontracting arrangements. For example

- Hampshire County Council has a small business friendly concordat - a voluntary non-statutory code of practice to make it easier for Small and Medium Sized Enterprises (SMEs) to do business.
- Herefordshire has a compact and makes it clear this does not apply to the private sector (p4) but there is an expectation that private contractors wishing to deliver public services will adhere to the Compact.

4.4.7 With regards to National providers there is a fear and perception of them having the resources to place ‘loss leader bids’ to gain control or take a foothold in the market. There is a concern of KCC commissioning via prime providers (whether national private or national VCSE organisations) and that smaller VCSE entities do not benefit from subcontracting, being offered only the hardest cases or those which are not profitable. Subcontracting can work, but needs monitoring in early stages with regard to quality and amounts expected for different organisations, and that management fees are reasonable.

Recommendation 4:

Develop the culture of commissioning and contract management, with an ethos of collaborative relationships.

Recommendation 5:

Extend the Kent Compact or similar agreement to include private sector providers working with the VCSE organisations.

4.5 Outcome Focused

4.5.1 There is a genuine shift and embedding of outcomes focus through outcomes-based contracts. However, there are still concerns about some being more output focused; and the ability to measure and difficulties in tracking provider impact.

4.5.2 Difficulties with measuring outcomes and impacts include for example:

- the causal issues are not straightforward
- it takes scarce time to undertake
- it takes time before some results are apparent
- it's difficult to measure prevention

Evaluation is nevertheless important to understand the impacts services have, identifying the contribution to build resilience and manage demand.

4.5.3 It was reported that often when evaluating or monitoring there is a tendency to look at outcomes by quantitative metrics that look at scale rather than impact of service. Evaluation needs to include qualitative measures and impact of service. It is a culture change.

'targets need to be achievable but be challenging, clear and agree how it is going to be measured' (Provider)

"The tender did not focus on quality outcomes ... and current 1 year .. tender remains focused on the lowest cost for a time and task orientated service" (Provider Association)

Also targets can work both ways, especially in collaborative relationships and showing that as a client we are equally committed.

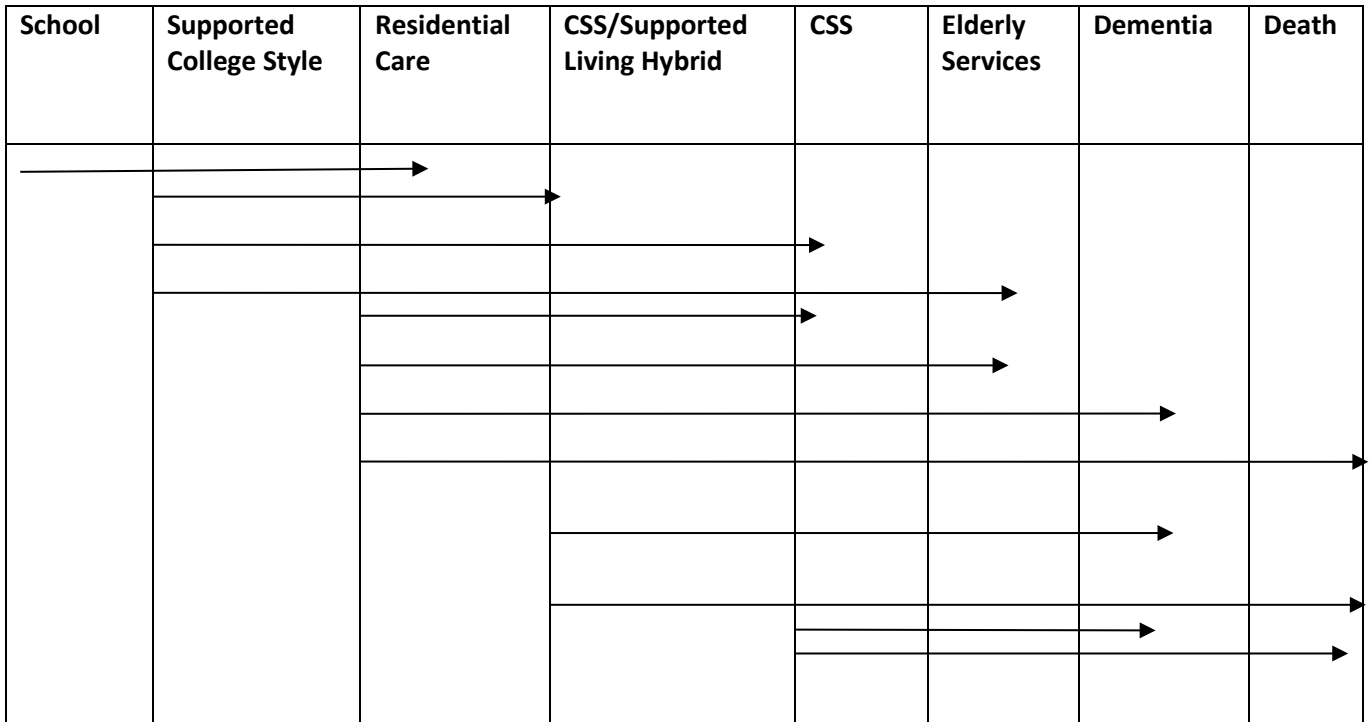
'in spirit of partnership included target measures for KCC as a client – accuracy of details, information' (Amey Contract)

4.5.4 Understanding the community needs and defining the outcomes is critical for specifying and securing the right services to achieve them. The outcomes need to be defined through insight, and understanding communities, taking account of community needs, provider models, community assets and resources to give more user-focused commissioning. There is a move nationally towards the co-production of outcomes.

4.5.5 In responding around the tender for Supporting Independence a case study outlined the care and opportunities a provider could offer to support independence as a continuum of services that can be accessed by individuals as appropriate to changing needs and circumstances over the course of their life cycle, or as a journey (Figure 3). The case study exemplifies the case for longer-term commissioning, and may mean taking some risks and looking at longer term outcomes.

Figure 3: WHOLE OF LIFE CARE CYCLE

Age 18 - ?? transition



Source: a provider case study, submitted as additional information. February 2014.

4.5.6 The key messages to ensure we define the right outcomes and secure the right services are to

- invest time in understanding the community, gathering insights and knowledge including from providers;
- recognize it can take several years of dedication and care to develop someone to be more independent and needs recognising;
- working to co-produce outcomes, involving service users and communities in defining outcomes;
- to look longer term and at continuum of services for an individual.

Recommendation 6:
 Invest time defining the desired outcomes and measures (quantitative and qualitative), ensuring these are user and communities focused and evaluate impacts (not outputs), using Co-production of outcomes and measures where appropriate.

4.6 Joined up Commissioning

- 4.6.1 A more complex commissioning environment requires an approach that responds effectively to a range of interrelated user needs – thinking across service boundaries, creating integrated services that are co-designed, are more collaborative and join up the commissioning of services. ‘Facing the Challenge’ reflects the importance of joined-up commissioning as part of KCCs’ transformation.
- 4.6.2 Strategic Commissioners and a recent contract review identified a number of examples where providers were delivering the same or very similar work commissioned by Directorates across the Authority, and some different. There is a current lack of joined up thinking, and an opportunity to avoid duplication of services by looking across the Authority. It is about being person centred and ensuring commissioning strategies focus on the client and bridge across directorates, so no silo working and better linkages.
- 4.6.3 There is a need to improve how we join up commissioning across the Authority, with agreed outcomes and metrics, and one Lead to monitor performance. It is not only about linking up across directorates but how KCC could effectively pool funds with partners to join up across sectors to achieve outcomes. It was highlighted that as commissioning becomes more sophisticated and community-led there are opportunities to consider what else a provider can do when while they are with a particular client, group or in an area. There is potential to work more collaboratively, pool budgets, resources and expertise in pursuit of improved services and outcomes.

Recommendation 7:

Improve how we join up commissioning across the authority. There is a need for better collaboration and partnership building across silos and with providers.

5 Engagement & Communication

5.1 Market Engagement

5.1.1 The importance of engagement with providers and service users is critical.

Embedding community engagement and influence and engaging with the market are essential in order to understand needs, capabilities and improve services.

Through a better understanding of needs, and capabilities of the sector

Commissioners can secure the most appropriate, effective and efficient outcomes.

Providers and VCSE particularly play a key role in the knowledge they have and understanding of localities and local needs, and in shaping services to improve outcomes.

5.1.2 Engagement with potential suppliers is carried out on a project by project basis. Supplier engagement or 'Meet the Market' events are undertaken for all major procurement activity, and SMEs and social enterprises are invited to attend so that where appropriate businesses can be encouraged to work together in consortia. This pre-procurement market sounding also provides an important opportunity to engage with potential suppliers on the jobs and skills, training issues and supply chain opportunities.

5.1.3 'Meet the Market' events are used to engage with the market, encourage networking, and importantly to gather ideas to inform specifications. They provide a useful walk through for providers of the process to follow, and are a useful mechanism through which to encourage VCSE and SMEs to register an interest in providing a service. Equally engagement with the Market and potential service providers is essential in truly understanding what the sector is capable of.

5.2 Engagement for better commissioning

5.2.1 Better commissioning through better understanding of needs and better specifications will mean the right services are commissioned and procured – need this right before procure services. Pre market engagement is vital in designing and commissioning excellent services and having real and meaningful pre engagement with providers including the VCSE and SME sector is important for service design ahead of tender, and the detail and quality of specifications to allow service innovation and added social value.

5.2.2 It was reported that

Final specifications that come out for tender often

- do not reflect the pre-market discussions
- are too rigid, imposing ideas, limiting the room for innovation and additional value to be added.

and

- Market Events although useful are not as inclusive as perhaps they could be, inviting those known to services and not advertised or communicated widely,

giving rise to a concern that SMEs and smaller organisations may miss opportunities.

- there is a reluctance to share innovative ideas in open forum with ‘competitors present’ as these may be a unique selling point for a service, and is an issue acknowledged by providers and commissioners

“appears to be a disconnect within KCC between commissioning, Operations and procurement – this is frustrating for providers, who after extensive negotiations and attempts at co-production with commissioners are then faced with tenders that do not represent the understandings they believe to have been developed in the run up to the process”

“It is also stops organisations sharing information and best practice, as those who might benefit are usually business rivals.”

One of the “main reasons could not proceed to tender ... our ethos of co-producing and personalising services means we begin by working alongside people closely to shape the direction a service takes. We recognised that the service specifications were prepared with contributions from people currently being supported ... however without being able to visit the services to meet people face to face, listen to views ... felt could not prepare a tender of the quality expected and that was true to our principles”

- 5.2.3 It is essential that we have real and meaningful engagement between commissioners and providers. Pre-market engagement and importantly, listening to service users adds real benefit in the designing of services and outcomes prior to specifications being published. Understanding needs and engaging to inform specifications is imperative, as providers commented service commissioners often are not clear what service is wanted moving forward. Specifications should have a good level of need and outcomes identified and not be too rigid as need to allow innovation and flexibility, leading to better contracts with the right specifications, flexibility and leverages.
- 5.2.4 With regard to greater transparency and service design the possibility of launching a new service "Solutions Exchange", to help public sector organisations go the market to ask for ideas and solutions to problems before they commence the formal procurement process was highlighted. This would provide an opportunity for SMEs to pitch new proposals to public bodies and have the opportunity to understand what contracts the public bodies were considering procuring in the short to medium term.
- 5.2.5 A different approach through greater co-design and co production: Co-production and co-creation are a key component part to a successful commissioning approach.

The focus should not be about whether the service is public, private or social but about how design service and secure services and obtain maximum benefit, hold providers to account on performance and how innovation is supported to deliver improved social outcomes. (CGF, IFG).

5.2.6 It is evident in both research literature and through experience that it is essential to consider how service users and stakeholders are included in the development of the intended service and specification. The best solutions potentially come from the people who are closest to the issue; this could be service users, residents, or frontline staff/providers. In developing the best possible specifications and services in Kent, community consultation and provider engagement could potentially go further to actively involve people in the design of services that they are going to use or deliver.

5.2.7 Within Adult Community Support co-production is at the heart of their ethos:

'seek to work with wide range of stakeholders to understand need and ensure that services are developed to reflect what people need to live independent lives.

... working with providers and people using services to develop our commissioning strategies, service specifications and evaluation criteria.

In recent commissioning activities people using our services formed part of the evaluation process with their perspective being weighted and used as part of the overall scoring.'

5.2.8 The work of the KCC Social Innovation Lab (SILK) supports this approach, and the SILK methodology for example provides creative and innovative ways to engage with people and approach projects, and enables a collective ownership and responsibility for project design, delivery and outcomes for projects. SILK and the Strategic Commissioning Unit in Families and Social Care are using a person-centred co-production method to develop Kent as a Dementia Friendly Community. This programme is working across Kent from which it is anticipated a range of collaborative service design and sustainable community projects will emerge cutting across education, health, care, housing, voluntary, arts and leisure, faith, business, community and family. (see Appendix 3: further details about the SILK methodology).

5.2.9 If KCC wishes to capture the value of what organisations are already doing, and ideas to innovate then it should and needs to offer more opportunities to co-design services. Using a different model of engagement such as a Co-design method of commissioning would utilize the full potential and skills of the market including VCSE and SMEs and the insights of service users in co-production.

Recommendation 8:

Provide more opportunities to co-design and co-produce services where appropriate, to capture the value of what organisations are already doing, and ideas to innovate.

Recommendation 9:

Need to ensure that specifications are 'fit for purpose' and reflect market engagement, identify level of need and desired outcomes, allow innovation and flexibility, leading to better contracts.

Recommendation 10:

Actively consider how service users and stakeholders can have greater input and influence in the specification, and service users in the evaluation of tenders.

5.3 Improving Communication

5.3.1 Good communications between KCC and providers is vital, and important whether for instance to invite them to attend an event or feedback on a recent tender. The evidence highlighted a need:

- for appropriate communication about changes to process or withdrawing contract tender, especially after providers have written tender submissions
- to raise levels of awareness to potential providers in the VCSE and SME community.
- for timeliness of communications, for example giving early notification of tenders coming out, timely feedback

5.3.2 The need for excellent, appropriate and timely communication and engagement is vital to

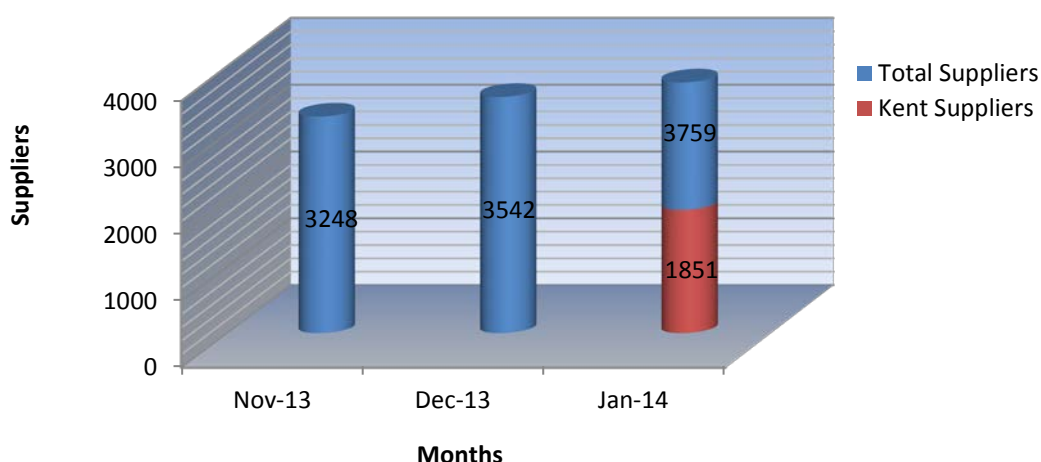
- **Keep providers informed** of changes to process or reasons for withdrawal of contract tender after providers have spent time writing submissions
- **Raise level of awareness** to potential providers in VCSE/SME community, and give early notification and information to organisations regarding services wanting to commission, and to **promote opportunities** to VCSE and SMEs.
- to ensure pre market engagement allows **greater understanding of the potential** of the service sector, informs service design and quality of specifications and allows room for innovation.

5.3.3 Advertising Tenders and e-Communication

The 'Kent Business portal' (www.kentbusinessportal.org.uk) was developed to advertise tender opportunities with not only KCC but also several of Kent District Councils, Medway Council and the Kent Fire and Rescue Service. KCCs main contractors can now also advertise sub-contract opportunities, and this allows both VCSE organisations and SMEs to see sub-contract opportunities on larger projects that might otherwise be out of their reach.

5.3.4 There has been a steady increase in the number of suppliers registering on the portal. (Figure 3).

Figure 3: Number of Suppliers on the Kent Business Portal



5.3.5 It is important that potential service providers of all sizes and from all sectors of the market are aware of the Kent portal, and that KCC continues to promote it. For example KCC Economic Development sponsored the Kent Construction Expo in November 2013 in association with the Kent Invicta Chamber of Commerce. One of the main highlights of the Expo event was the showcasing of the developing Business Portal and an opportunity for small businesses to have face to face meetings with most of the major companies that have recently secured large contracts with the County Council.

5.3.6 Making it easier to engage, find opportunities & use the Kent Business Portal

Although the picture of numbers of businesses registering on the portal is a positive one it remains a concern that some of those the Committee spoke with (both SME and VCSE providers) were unaware of the Kent business portal and generally referred to the SE portal. There is a concern that many of the smaller and micro social enterprises are not 'hooked' in to this and are therefore potentially missing opportunities for their businesses.

- 5.3.7 Despite the positive figures there was a lack of awareness of the Kent Business portal and also confusion evident around the SE portal and Kent Business portal. It was also reportedly difficult to navigate. Promoting opportunities by extending the use of the portal, allowing registered organisations to advertise their sub-contracting opportunities to other suppliers is a positive step. Work to develop and extend the use of the Kent portal further should be supported.
- 5.3.8 Currently all Kent County Council opportunities with a life value of £50,000 or above are advertised online via the Kent Business Portal. The Committee deliberated whether there should be a consideration of the value of contracts to be included in the portal and tendering, and whether the level should remain the same or be raised leaving the flexibility to the Local Authority to find solutions for low value contracts through informal processes to reduce bureaucracy and costs. Currently for transactions valued at more than £8,000 but less than £50,000 at least 3 written quotations must be sought). However as reflected previously to assist Small and organisations and micro enterprises there is also a need for publication of lower value contracts (i.e. £5K) and greater transparency regarding low value contracts that are available.

Recommendation 11:

Ensure appropriate and timely communication throughout the market engagement and tendering processes – about timeliness, communicating reasons for changes, levels of awareness.

Recommendation 12:

Promote contracting opportunities to VCSE and SMEs and Better or enhanced promotion of the Kent Business Portal to increase awareness (including with small and micro enterprises), and for the Portal to be more easily navigable.

Recommendation 13:

Extend the use of the portal to enable other local Authorities to promote contract and subcontracting opportunities, broadening potential access for VCSE and SMEs.

6 KCC's approach to procuring goods, services and works

6.1 Our procurement processes

6.1.1 The County Council's procurement processes have a key focus on supporting Kent businesses. Procurement recognise the need to be open, transparent and proportionate in order to reduce barriers to entry for small and medium sized businesses and social enterprises. Procurements three drivers are firstly to save money, then to manage risk, and then support Kent business. Following its recent report, *Local procurement: making the most of small businesses*, the FSB produced a charter designed to promote positive procurement between small businesses and local authorities. The charter sets out 15 best practice recommendations to encourage a better procurement process for local small firms. It was reported that the approach to procurement taken by the County Council is consistent with the charter's recommendations.

6.1.2 For all procurements over £50,000 in value, it is a County Council requirement that a procurement plan must be prepared. The plan has a wide ranging check list of requirements that include Social Value and how the procurement will support Kent businesses.

6.1.3 The County Council has a target of 60% for contract expenditure with first and second tier Kent businesses (where second tier comprises sub-contractors or suppliers to the main contractor that KCC is paying directly). In 2012-13 for example, KCC's expenditure with Kent suppliers (first tier) was £571million, which represents about 58% of contract expenditure, and increases through use of sub-contractors or local suppliers in the second tier.

6.1.4 The two figures below illustrate spend by business size and sector.

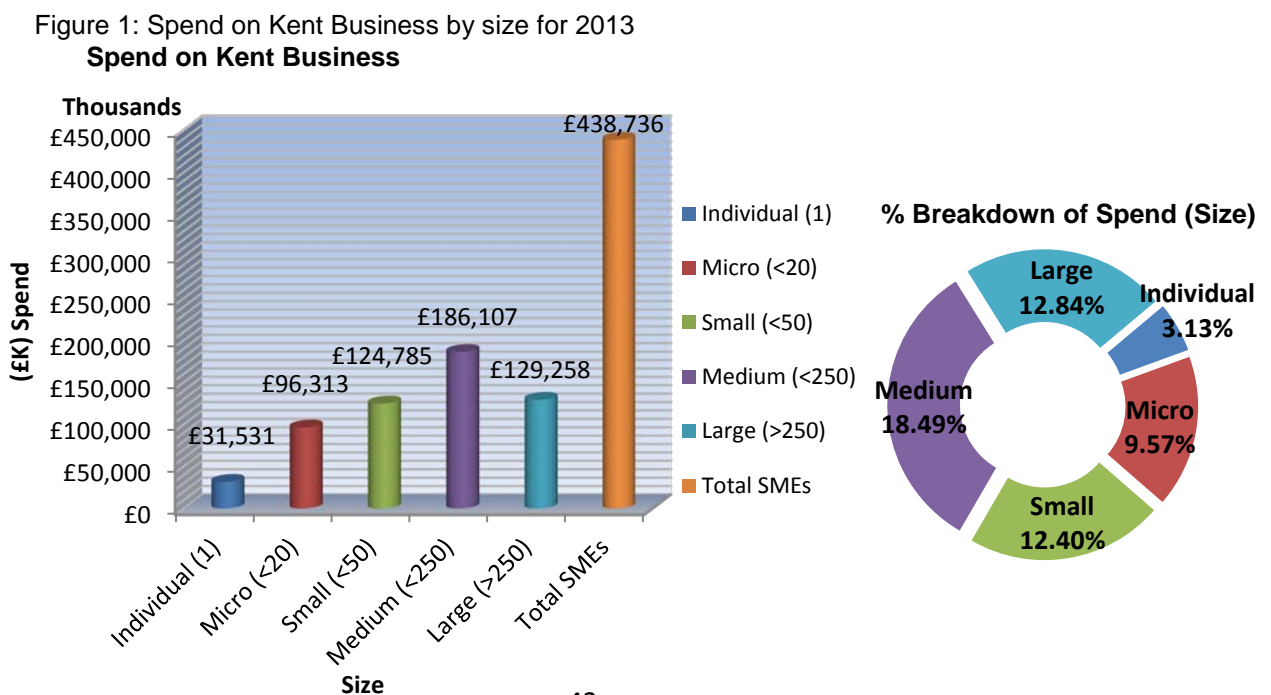
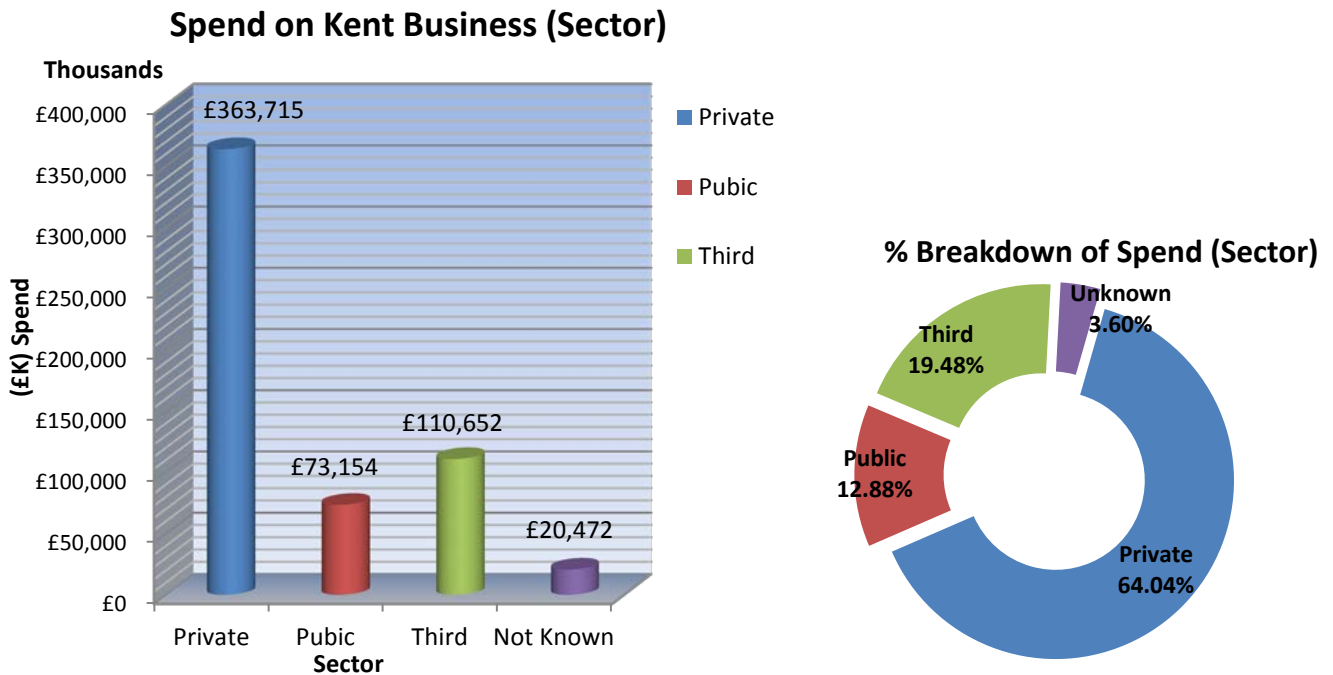


Figure 2: Spend on Kent Business by Sector for 2013:



6.2 Making it easier to tender to supply Kent services

6.2.1 There is evidence of significant improvements in Kent's procurement, however both the VCSE and SME sectors still face some hurdles in accessing opportunities through our tendering processes. If these can be addressed it would help to ensure it is easier for potential providers to enter the market and be able to compete for contracts.

Transparency – “Extending the reach of the Mystery Shopper scheme so that it spot-checks public bodies, to make sure that their procurement is small business friendly. This scheme currently only investigates reports of unfair treatment”

6.2.2 Local Knowledge and Bid writing:

The importance of ensuring local understanding and knowledge is factored into the tendering process was highlighted. There is a concern that some organisations have teams of experienced central bid writers, giving them an advantage. In order to drill into evidence of quality of provision and understanding rather than quality of central bid writers, Commissioners and Procurement Officers ask/ensure that the local managers are present for interviews (not only central bid writers) who if successful will deliver and manage the service.

6.2.3 To strengthen understanding of local knowledge and experience of organisations, it was suggested as potentially beneficial if KCC considered how to incorporate visits to existing services of potential providers as part of the tender process to get a real flavour of what was delivered on the ground as opposed to only on paper. There was a similar concern raised by Commissioners that knowledge of past

performance/experience of working with a provider (either good or not so good) is not reflected or taken into account in considering tenders for new work.

6.2.4 It was commented that there was still a need for plain language to be used in documentation, supporting guidance, ITTs etc. This is a KCC standard.

6.2.5 Capacity of SMEs and VCSE's to tender.

There are issues around the capacity of VCSE and small /medium organisations to tender. Organisations commented that the time taken for the process remains disproportionate for a small organisation, and a considerable length of time is required to complete the PQQ and tenders. Kent's PQQ is currently long compared to some other LA's.

"Our estimate is that we spend around £20,000k per annum in staff time monitoring, exploring and developing bids. While successful bids include some management costs this cost of being active in the tender process can't be recovered. This capacity is beyond the reach of most smaller voluntary sector organisations."

6.2.6 'Small business: Great Ambition' sets out actions government plan to take to assist SMEs to grow and remove barriers they face to access public contracts. The possible legislation in 2014 – includes abolishing PQQ for low value contracts and standardising core PQQ for high value contracts to reduce complexity and cost. When this is applied to procurement to make public sector contracts more accessible for Small-Medium Enterprises (SMEs) the changes implemented will remove some of the barriers that SMEs face when bidding for public contracts.

6.2.7 The size of the PQQ Kent uses is about and is a reflection of the level of risk and willingness of KCC to take risk. Procurement are working to standardise the PQQ and this needs to continue at pace. An option is to consider self-certification on low value contracts and then more detailed analysis if proceed to award stage.

"Some of the tenders take so long to complete and it becomes unviable. We are a small CIC and don't have the time required to spend on ITT's only to find it wasn't suitable for us, or we didn't get any success in our application."

"Time involved to wade through the processes is disproportionate for a small organisation. ... The true cost has not been recognised ... have agreed not to go ahead with trying to secure commissioned services as a result. However there is still a need for the work to be done and we are still recognised as being able to do it"

"Commissioning is top heavy on admin and this knocks out the small organisations despite their flexibility and excellent front line knowledge"

“If it was more efficient and easier there would be more small organisations taking part but we have only to look around and see that these organisations are not taking part in the commissioning process in large numbers, squeezed out by bigger groups.”

“Small and local still has a useful presence if allowed to survive!

6.2.8 Timescales are a significant issue for both VCSE and SMEs, and present a significant challenge to VCSE organisations and SMEs without tender writing teams:

- Invitations to Tender (ITT) often come out at the same time for different services, and can be especially the case and demanding for organisations which work across Directorates, resulting in several to complete at same time.
- The timing for completing/submitting tenders most often falls over key holiday breaks like Christmas when officers are away, and is reported as a recurrent pattern.
- The length of time to complete and return tenders is often short – often only three weeks. Presenting particular difficulties for consortium bids.
- Time between award of contract and mobilisation is often short and could be longer for more complex services and where more complex bid arrangements.
- PIN notice period could be longer, raising awareness and allowing time for supply chain preparation in time to tender, consortia bids etc.
- Slipping timescales, for example where the process has changed along route, or appeals are made prior to final award of Contract, so the length of time before funded to supply a service is longer than anticipated. This funding and time delay may be critical to a smaller business or organisation.
- More time for consideration of TUPE issues, transition of staff. Commissioning needs to be planned more carefully - enough time needs to be built in to the process to allow for the procurement to be carried out correctly. On larger procurements, more consideration should be given to employment (TUPE) and pensions matters.
- Give sufficient time for mobilisation – recruiting staff safely takes time, some can deploy existing staff temporarily to help with set-up, but this should not exclude new providers from the marketplace.

“If tenders are too long or do not allow enough time to respond this will make it hard for smaller organisations to put in a response.

The staff time needed has costs for the organisations and offering a support package alongside tenders may prove beneficial. (The cultural arts tender around wellbeing festivals and interventions is a recent example of this approach)”

- 6.2.9 Bidding for a contract with KCC can be of significant cost to contractors and a barrier to smaller providers, with no guarantee of success. Costs include time, the development of expertise in order to compete in a tender process, seeking legal advice, and any resultant TUPE and pension requirements if successful. The complexities of bidding are recognised by large providers and they will often have the infrastructure that allows them to participate, but smaller providers often do not have this.

Financial arrangements, insurances or other thresholds being set at an unnecessarily high level within specifications etc. can deter new providers." (Written Evidence - KCC Staff)"

"Any provider is more likely to lose a contract on retendering than to retain it, and the average 'hit rate' for winning a new contract bid is between 20-40%, which is standard in the sector ... most of this expenditure is unproductive and is loaded into the cost of successful bids" ... "We don't think there is a single satisfactory 'answer' to this; longer contract terms, more streamlined processes etc. may work in some instances but be detrimental in others.

We would like to see a more 'intelligent' approach where tendering costs, are tailored against anticipated benefit."

The transfer of TUPE staff can also create an inequality in an organisations workforce as different Terms and conditions to those already there. Also once successfully on a framework these have not necessarily led to the levels of work anticipated. There should be a clear understanding about size and amount of work expected, and for our frameworks to become more sophisticated.

" It should be made clear to bidders that there is no guarantee of work if they are successful in gaining access to a Framework Agreement. Many of the other large P&IS contracts specifically exclude guaranteed work for the contractor. Once potential bidders know these limitations, they can weigh up whether it is worth them taking part in the procurement exercise."
(Written evidence - Legal, KCC)

"The transfer of TUPE staff creating an inequality in organisations workforce as currently unable to meet public sector pension benefits."

TUPE – " this was one of the deciding factors not to tender as not prepared to award some members of staff these benefits and not others, and are not in a financial position to take these costs on."

6.2.10 Evidence for New providers

Kent supports a mixed economy of providers with genuine roles for both the VCSE and SMEs. There is however on balance a difficulty for new organisations to win new contracts and also for organisations to enter markets without specifically related previous experience and evidence of what they could do and is inherently linked to KCCs appetite for risk. There is an opportunity perhaps on frameworks to gain experience through smaller lots of work, or through working as part of a second tier supply chain. It was also suggested that developing a new rating service for small firms could be useful. It could give an opportunity for providers to rate public bodies on their procurement processes but also for Public bodies to have the opportunity to rate their suppliers so that small businesses that win contracts can start to build up their reputations.

“New providers suffer from the ‘chicken and egg’ scenario – they can’t win tenders as they do not have references from previous providers. Perhaps eligibility onto smaller contracts such as Frameworks may be won on a ‘provisional’ basis to allow new providers to ‘prove’ themselves”

6.2.11 Smaller contracts could be used to help micro small enterprises to gain evidence and make the step up – KCC need to offer opportunities for this to happen. There is a need to make contract opportunities easier to find by the publication of lower value contracts (i.e. £5K) and greater transparency regarding low value contracts that are available. For SME’s – including the voluntary sector – contracts as low as £5,000 can be of considerable interest, yet tend not to be publicised. However, an opposing view is that (in consensus to consultation) is that the threshold for publishing contract opportunities should be increased from £10,000 so that, for very low value contacts, public bodies would retain the flexibility to carry out their own informal process, reducing bureaucracy and costs. Any process must be transparent and promote opportunities for small and micro businesses and smaller VCSE.

“Part of the education process for new businesses is to learn how to work up the ladder. Small businesses need to start with low value, low risk contracts and the challenge for commissioners is to publicise such contracts.” FSB

Procurement Decisions and analysis

The ratio of analysis used in procurement decisions is variable across the organisation. Price is a significant driver within our decisions with a 70:30 split, and sometimes a more even split of 60:40. To provide an opportunity to maximise Social Value there should be a consideration of how much of each procurement decision should be given to Social Value considerations, and how this could be achieved in practice.

6.2.12 The Adult Community Support Team have included stipulations in all recent evaluation criteria regarding the Social Value Act. In for example the Carers Short Breaks specification 20% of the 60% quality score was based on social value, and is a welcome step in decisions to reflect potential added Social Value. On the other side Social Value is increasingly difficult when have to balance budget, so need to consider cross directorate policy to move from cost/quality analysis to consider 40% cost + 40% quality + 20% social value within specification/tender where appropriate.

Recommendation 14:

Strengthen our processes to access and utilize knowledge of Commissioners and potential providers - KCC should consider within the current Tendering process and complying with procurement law how KCC can strengthen our understanding of the local knowledge and experience of organisations, for example by incorporating

- visits to existing services of potential providers
- reflecting knowledge of past performance/experience of working with a provider,

both good and not so good.

Recommendation 15:

Simplify and standardise procurement processes further to remove or minimise procurement process barriers by:

- introducing reduced and less onerous requirements for low value contracts (e.g. financial evidence - self certification/documentation for low risk/low value followed by a more detailed analysis if proceed to award stage, proportionate pre papers or discontinuing PQQ where appropriate)
- simplifying and standardising the core and online PQQ, retaining the flexibility to add additional questions for more complex service areas
- better co-ordination of Commissioning and co-ordinating the diary of tenders across KCC where possible and introducing a plan of tenders
- giving earlier notice of intention to put contract out to tender and more time for the completion and submission of tenders.

Recommendation 16:

Promote opportunities to VCSE and SMEs through publication of lower value contracts (i.e. £5K) and greater transparency regarding low value contracts that are available

Recommendation 17:

Reflect Social Value sufficiently in our procurement decisions – need to actively consider how much of each procurement decision should be assigned to Social Value, and not only between price and quality.

7 Market Development

7.1 Support to VCSE and SMEs

- 7.1.1 It is essential that the market develops and is supported to have the skills, capacity and capability to deliver the services that are needed for the future. The key question is how should and can KCC best support VCSE and SMEs?
- 7.1.2 There are a number of organisations that support the voluntary and community sector at national, regional and a local level.

National Infrastructure

Two of the most significant are the National Council for Voluntary Organisations (NCVO) and the National Association for Voluntary and Community Action (NAVCA)

Regional Infrastructure

RAISE is the main organisation operating at a regional level. It was established in 1999 and is the support organisation for the voluntary and community sector in South East England. Its remit is to work in partnership with policy-makers, stakeholders and funders to increase the potential of the sector and to improve quality of life within the communities they serve. RAISE has a particular focus on supporting health and social care.

Local Infrastructure (LIOs)

The term Local Infrastructure Organisations (LIO's) is generally understood to refer to Councils for Voluntary Service (CVS's) and Volunteer Centres (VC's). These organisations provide local infrastructure support to voluntary and community sector groups and organisations and contribute to overall community capacity.

In Kent there are six CVS's that together cover the whole of the county. They vary in size with some serving one district and others serving up to four districts. Three CVS's have integrated Volunteer Centres and there are also seven separate local Volunteer Centres. All receive some funding from KCC and some receive district council funding.

Other organisations operating in and providing support services to the sector in Kent includes Action for Communities in Rural Kent which has a focus on rural communities. The latter is a voluntary organisation but supports rural business as well as community and volunteer-led groups.

- 7.1.3 It was noted that KCC provides feedback to suppliers, as required under the Remedies Directive, but offers to spend additional time where requested with small businesses and social enterprises to help ensure that their tendering capability might be improved for future procurement calls. Micro and small

enterprises often lack understanding of the procurement process including an understanding of which contracts they should and should not bid for and the mechanics of completing tender documents. Procurement is also considering the re-introduction of bidder training days to provide help to Kent businesses on how to complete tender documentation.

“It would be helpful to advise small business about what is available and what would be good to bid for as well as what not to bid for. Training could be offered at procurement workshops and “meet the buyer” events.” FSB

7.1.4 The key points raised are that there is

- a focus on how the sector can support KCC – but little about what may help commissioners understand about sector, or shared experience of how operate
 - a clear need in the sector for support regarding the tender process
 - a need for support for VCSE and SMEs importantly on how to complete a tender and tender information, what to include, how much, what information to provide and how, particularly for organisations as ‘frontline experts’, with no central bid writing teams.
 - support provided for VCSE by infrastructure organisations across Kent. Although these organisations provide valuable information and training to the sector it is not necessarily equitable,
 - provision of some direct community services under contract by LIO’s, and as a result some providers believe that the support work suffers and are conflicting remits.
 - a view that some local infrastructure organisations do not fully represent or network for other VCSE in the wider sector
 - a concern around the closure of the recent Kent CAN, an organisation that operated in and provided support services to the sector in Kent, which had a county wide focus,
 - a significant skills gap for some organisations
 - a value in providing assistance to organisations once successfully tendered, to enable them to deliver a good service under contract e.g. shared training opportunities between provider and client
- and
- although market events provide a useful walk through the procurement process they cannot and do not however provide enough support on how to actually complete a tender

7.1.5 There is a shift in relationship between the public sector and VCSE sector with increasing need for organisations to have the ability to tender successfully within a mixed market, and play a key role in managing demand and building resilience. Therefore it is important that consideration is given to how best to support VCSE within an evolving and complex commissioning environment.

- 7.1.6 The key question is how can KCC best provide infrastructure support for the VCSE and SMEs to enable the market to develop? How should KCC ensure that everywhere in Kent has access to good support to develop the market, build capacity and improve tendering skills – infrastructure grants? consortia? framework contracts? market development specialists?
- 7.1.7 Other authorities have considered the issue of support and market development for VCSE for example:
- **Worcestershire** moved away from a grant to a consortium of infrastructure bodies and replaced this with £750,000 investment to build a managed market of support and build capacity in VCSE, commissioning support from a framework contract with providers from private, public and voluntary sectors. It provides support for financial sustainability, marketing, procurement, outcomes, professional support (HR, Legal).
 - **Oxfordshire** moved to a single contract for infrastructure services in April 2012
- 7.1.8 Adult Social Care are preparing a specification for the purchase of a new time limited Adult Social Care Voluntary Sector Market Development Service to work with voluntary and community sector organisations. It should play an important contribution to the infrastructure support that Families and Social Care commission or provide to support voluntary and community organisations to be sustainable and deliver positive outcomes for vulnerable adults. It is anticipated that this will provide key support for
- training or 1-1 mentoring to identify potential funding opportunities; writing bids and completing the tender process.
 - enabling networking and collaborations amongst VCSE
 - developing and sharing professional skills
 - information, advice and guidance website offering portal access to e-learning, workshop details, links to best practice and guidance, how to access the Kent Business Portal, examples of tender submissions
- 7.1.9 It was evident that there is much support existing and is clearly valued, and experience of different models within the Country, but on balance this needs to be looked at with providers to ensure the support is the best it can be. There is an intrinsic value in ensuring the VCSE sector **and SMEs have** the support **needed** to build capacity and develop. There needs to be further consideration of this issue in greater detail to ensure that both VCSE and SMEs have the support needed, and potential for joined up commissioning.

Recommendation 18:

Actively consider how best to support the development of the market and build capacity, particularly how best to provide support to VCSE and to SMEs.

8 Contracts, Risks, Grants,

8.1 Length of Contracts

- 8.1.1 The length of contracts is important as they need to be commissioned with an optimum length to seek innovation and for a provider to make a fair return. It was highlighted that increasing contract awards to 3 years in length is a vast improvement that allows services to fully develop their models of delivery and integrate them with other relevant services. It supports small organisations with sustainability and enables them to work with service users and communities to achieve long term outcomes and mutually supportive environments. It is an improvement on the historic yearly rolling contracts, often with no formal review of the contract taking place.
- 8.1.2 It was commented on that some contracts do tend to change hands every 3-6 years. It is then hard to engender loyalty amongst frontline staff, who are likely to be TUPEd to someone else in the future however well or poorly they perform. Senior staff have to repeatedly win new contracts to replace likely losses in order to retain work and their positions.

“ This fast-moving storm of contract turnover includes tangible elements of antipathy and fear, affecting the aspirational desire to ‘do good’ which is one of the traditional strengths of the voluntary sector.”

- 8.1.3 The length of contract also impacts on how effectively a contract can be managed regarding performance or measured regarding outcomes of a new model of service. There needs to be confidence in baseline data of inherited contracts and time to work with a provider to improve performance if need be before a re-let is on the horizon. It is a balance - if contracts are not long enough can we get the innovation are looking for? There are early contract costs for a provider from TUPE, redundancy costs etc in year one of a contract so organisations need time to cover costs and make a return.
- 8.1.4 With regards to risk, moving away from annual contracts to 2, 3 or 5 year contracts creates more certainty, allows time for innovation, providers to plan, build capability and improve services.

8.2 Aggregation and Disaggregation

- 8.2.1 There is sometimes a balance to be found between larger long term contracts and SME and local supplier support. There is a clear tension between need to aggregate to achieve economies of scale and need to disaggregate to promote local growth. Dis-aggregation of contracts into smaller lots that are accessible to SME's is increasingly common across the UK – with LA's such as Basingstoke and Deane Borough Council leading the way in this process to the point where they have won an award for their

“small business friendly” approach to procurement. The recently announced changes to EU Procurement Legislation will also include “encouragement” to split large contracts in to small lots.

8.2.2 In following a policy of supporting smaller Kent businesses in its approach to procurement it might be argued that KCC is missing out on economies of scale. But it should be recognised that aggregation does not always result in better value, and each procurement needs to be assessed in its own rights.

“... the aggregation of contracts to the point where their value excludes small suppliers”

“Arguably, the bigger organisations have a more efficient base. Certainly they have greater leverage to negotiate a contract but they do not necessarily provide a more efficient service!”

As outlined earlier in the report additional benefit generated for every £1 invested can be greater from smaller businesses than large organisations. The increased use of Kent suppliers and contractors is due partly to the consideration of contract size and breaking down procurements into packages which not only deliver value for KCC but also enable small and medium sized businesses to compete.

“Breaking potentially a very large contract into smaller, more manageable contracts is a key method of reducing barriers to entry especially for smaller organisations.”

8.2.3 Key points:

- Acknowledge there is a challenge in delivering services at a provider volume which is efficient for KCC to manage
- Contracts vary in size for example from district, CCG area and county- wide
- Aggregation excludes small suppliers
- Disaggregation into accessible or smaller lots increases availability of low value contracts, to enable smaller organisations and SMEs to tender.
- Emerging role of VCSE as subcontractor on larger contracts, and concerns regarding this new relationship
- Contracts can be too large for an individual VCSE, so need time to build relationships and consortia to strengthen bid and opportunity for success
- small or specialist providers – sector is forming partnerships but takes time
- Risk/disaggregation: Many LA’s are now introducing contract terms that are proportionate to the risk involved in that particular procurement exercise

Recommendation 19:

Break down larger contracts into smaller lots, wherever practical.

8.3 Working with Consortia

- 8.3.1 It is recognised that it can be difficult to manage a very large number of small contracts or for small organisations to bid for larger contracts. Organisations are encouraged to network, work together and strengthen their position and capacity to deliver for larger contracts through collaborative bids and establishing a consortia. To enable smaller organisations to work with the Council and compete for larger projects it is important that we enable them to work with other smaller organisations to combine their resources. This is applicable to both private sector SMEs and VCSE organisations, and is encouraged for example through ‘Meet the Market events’, however the Council needs to manage its risk with clear rules on how to address this.
- 8.3.2 The key issue for the authority that needs to be considered is the Council can only contract with one lead organisation, so if a consortium is being proposed prior to contract award the consortia must set its self, up as a formal partnership or joint venture. An alternative option is the Council contract with a lead body that then sub-contracts their partners. There have been issues with this type of arrangement in the past where the lead body has decided not to continue working with its partners post tender, or do not split work/finances evenly/fairly. VCSE can be hesitant around Consortia with regards to their long-term interest, as organisations need to retain their individuality and there are both good and not so good consortiums depending how they have been set up.

“lead organisation takes the cream, gives little work to others or leaves the VCSE organisations with the risks or most difficult challenges.”

- 8.3.3 It also needs to be recognised that it takes considerable amount of time to form Consortia and set up the necessary agreements, legalities and deciding on who is the lead person/organisation. There need to be better timescales to build partnerships and consortia reflected in procurement process and timelines. Although organisations are encouraged to collaborate and establish consortia there is a requirement of KCC to contract with one body, so these need to be set up as a formal partnership or joint venture.

8.4 Incentives, Payment by Results (PBR) and type of contract

- 8.4.1 A key question is how providers can be rewarded or incentivised to continually perform well - if an organisation is performing well, should there be a presumption that it will be re-commissioned?
- 8.4.2 Payment by Results while serving to increase quality and competitive services in the market place may also act as a barrier to access to smaller organisations. Particularly when the PBR period crosses to a new financial year, the uncertain financial income may automatically eliminate smaller and newly established providers from entering the process.

8.4.3 There is also concern that Payment by Results,

“ if brought in too aggressively as has happened on some contracts elsewhere in the country, effectively bars everyone but the national private (and some VCSE) organisations from tendering due to the risk to income and cash flow that this brings. Charities especially have a legal duty to safeguard their assets and activities, and are traditionally very risk-averse.”

“ Building an incentive into the procurement process to make further savings seems to remove a tool by which commissioners can pursue best value from the resource available to them. We are not clear how the resulting savings are allocated – do they sometimes end up funding something which may be of less priority?”

8.4.4 It is agreed there should be a consideration of rewards if a provider performs well, but not through automatic extensions. There should be the possibility of negotiating an extension of contract if a provider has performed excellently, delivered outcomes, and brought innovation and/or additional social value. Some contracts have included possible extensions. De-commissioning is always a possibility at the end of a contract, but de-commissioning just to test the market is damaging to VCSE organisations and SMEs.

“Some consideration of protection for good performance, and provision for positive bonuses and incentives, might help create a more aspirational and productive market.”

8.4.5 It was highlighted that KCC should invest now in an approach that will generate the necessary innovation across the independent care sector to drive up standards and drive down costs in services by building strategic ‘whole systems’ thinking across the service supply side; as currently much innovation is restricted through tight specifications or models used. To reflect the need for encouraging best service design and innovation the Committee considered the value of using a different approach to procuring services and contract type by using a more negotiated style contract, where design of initial specifications is followed by the design of detailed models with selected providers to co-design service and outcome specifications in detail.

“One model, which has been trialled in some areas, is for the process to choose a provider which has the best fit with the requirements, rather than choosing the best proposed service. The service is then specified post-award in partnership with the provider. This would allow commissioners to properly test a model, rather than trust what has been written in a tender.”

“The lack of engagement or providing dynamic purchasing opportunities to the VCSE restricts the opportunity for innovation”

“The use of a three year commissioning framework at early stages of commissioning protected existing providers but blocked all new entrants including charities and voluntary sector organisations in Kent.”

“KCC need to keep frameworks more open to accommodate new and emerging VCSE organisations and at the least have an annual framework intake or review”

8.5 Contracts

8.5.1 Other barriers to entering a tender include the financial costs that organisations incur in seeking external advice on contract law. This is an area of support required to ensure organisations can enter arrangements confidently. Contracts should set out rights and responsibilities on both sides, with clear protections and the remedies in event of problems. With a risk a-verse nature and uncertainty around contracts, organisations need to seek costly legal advice. Having successfully tendered for a service there are concerns around the subsequent contracts and KCCs approach and that contract terms can be disproportionate to risk involved. For example in a particular contract evidenced there was a concern highlighted by a provider from their legal advice regarding a bias in KCC's favour giving unilateral abilities to change terms within the contract, areas being contradictory of others, and no course to discuss these. Contracts should be to be more proportionate to the risks involved (see also 8.8).

" The financial costs that we would incur in seeking external advice on contract law. We do not have this expertise in house."

“ Solicitors identified 11 areas which raise concern for us ..”

“wrote regarding concerns... the outcome was a letter from KCC insisting sign the contract and suggesting when tendered had tacitly accepted all terms and conditions. If they didn't sign they would jeopardise their providing of services and accordingly they signed as felt had no choice.”

8.5.2 The concerns in summary included

- KCC entirely controlling order/price – little scope for any negotiation
- Contradiction over travel expenses and price
- Time limits are short and possibly should be more realistic
- Need for several indemnities, their appropriateness, and risk of event occurring

- Rights of KCC to unilaterally change terms of an order- 'unusual, unfair and not advised'. Need clear terms for this and also for provider to have withdrawal without liability
- Unilateral rights to decide what is in an invoice
- Must comply with 'fussy payment procedures'
- Whilst a 5 year agreement – is really a rolling contract with 3 months' notice servable by either party at any time.

8.6 Payment Practices

- 8.6.1 Payment practices have traditionally been a controversial area for local authorities. The County Council will usually contract on 30 days net payment, but now has a target of paying contractors in 14 days which has been delivered in 90% of contracts. The FSB confirmed that this did not appear as an issue with Kent. KCC also has clauses in its contracts to require contractors to pay their subcontractors/suppliers in a timely manner. However, Procurement commented that there is always room for improvement and the need to improve monitoring and ensure compliance is recognised.
- 8.6.2 Requiring prompt payment terms all the way down a public procurement supply chain will ensure that SMEs have access to money when it is due. SMEs and smaller VCSE do not have the same access to credit that larger companies do and can be unfairly prejudiced when payments are not made within a reasonable period impacting on their cash flow.

Recommendation 20:

Requirement for prompt payment terms all the way down our procurement supply chain continues to be built into contracts; and improve monitoring of this requirement to ensure compliance.

8.7 Use of grants

- 8.7.1 There is much transition for the VCSE sector from KCC funding being grant based to a commissioning focus and need to tender for contracts. Some organisations commented that although grants are really useful there had been issues around uncertainty year to year if a grant would continue or not, often only being agreed at the very last minute, making it difficult to manage expectations, delivery etc. Three year contracts giving more certainty and time to innovate were welcome.
- 8.7.2 There is a significant concern if grants were to disappear as they support many organisations doing valuable work, and who may not yet have the capacity/skills to tender. In some circumstances grant funding may have a role in capacity building.

"Put in place a grant scheme for SME's that are contributing to KCC's work but that do not have the infrastructure or experience to bid for larger contracts. This would be about recognition of social and community value.

Some organisations, due to the uncertainty and shift to Commissioning have sought different revenue so are not reliant on KCC. KCC Adults Social Care funded a total of £19,173,673.27 in 2013-14 in grants, ranging from the smallest of £536.75 (West Kent) to largest of £1,006,305.22 (Thanet & South Kent). The grants length of agreements, ranges from 3 months to 3 years, (the smallest and largest grants are for a year).

- 8.7.3 There is a clear vital role and place for grants in our blended approach - blended in terms of provider sectors delivering services and also in nature of funding models. Grants can provide support to innovate services, pilot ideas and then if proved successful can then move project to a contract basis. It is a held view that although grants have a significant role they should be time and task specific to support the innovation or development of services, enabling services to try out something new, be clearly monitored for performance and outcomes, with a clear and transparent process supporting their use.

Recommendation 21:

Recognise there is a clear role for 'smart' grants that are innovative, and outcome based. Need to ensure that their use is transparent and are time and task specific, and monitored /evaluated for success.

8.8 Risk

- 8.8.1 For start-up organisations the biggest issue is absence of a financial track record. For Local Authorities it is a matter of mitigating risk. Both sides need to build trust. The Appetite for risk is a significant barrier, demonstrated in KCCs non-willingness to take risk illustrated in current requirements for providers for low value contracts; very tight specifications limiting innovation; and VCSE organisations Trustees or Board traditionally are very risk averse, and often 'feeling out of its depth in entering into a contract'.

"Trustees can be very risk averse – it is imperative for organisation to have the correct trustee skill mix (including commercial savvy)."

- 8.8.2 There is a need to take some level of risk, and KCC 'Won't progress or innovate services if doesn't take an element of risk'. One of the key aims from Bold Steps for Kent is to manage risk through developing clear processes and appropriate governance (not being risk averse but risk aware). A contractor is responsible for the delivery of services, but ultimately KCC as contract holder has responsibility for failure of a contract.

"There needs to be a sense of realism that outsourcing does not discharge the Authority to deliver against its statutory or moral duty, furthermore the Authority will be held to account by the general public for any failures of outsourced services, examples such as G4S in providing security at the Olympic games and failures in providing adult social care by Castlebeck Care even impacted on the Care Quality Commission.

Finding the right partner organisation who will share risk and protect the reputation of the Authority, Client and therefore customers is paramount - identifying such qualities must be fundamental at all levels of the engagement and then procurement process."

Both KCC processes to secure services and contract providers should be more proportionate to the risks involved for particular contracts.

"Many LA's are now introducing contract terms that are proportionate to the risk involved in that particular procurement exercise."

- 8.8.3 Financial risk is being transferred to providers, and providers are concerned with their own financial viability. They are concerned about the financial risks of payment by results contracts (PBR) and can be unwilling to try different approaches. The VCSE are generally risk averse and PBR type of contract may prevent sector applying if too aggressively introduced. The VCSE have a duty to safeguard their assets and own core activities of charity.

" .. concern that Payment by Results, if brought in too aggressively as has happened on some contracts elsewhere in the country, effectively bars everyone but the national private (and some VCSE)organisations from tendering due to the risk to income and cash flow that this brings. Charities especially have a legal duty to safeguard their assets and activities, and are traditionally very risk-averse."

- 8.8.4 KCC is bound by the Public Procurement Regulations and its own Constitution and cannot unilaterally mitigate or remove barriers set by them, including financial barriers and how these might be eased. Legal, Finance and Procurement have met to discuss how the financial barriers might be eased and reportedly have adopted a more flexible system recently. This system still recognises that KCC must protect public money and is under a duty to get the best deal for its council tax payers that it can. There is a value in supporting organisations and small enterprises to tender and the offer of interest-free loans to enable an organisation to get started on delivering the service is a real benefit but has implications for KCC.

“Broadly speaking, new providers are a riskier proposition than established entities and KCC has to recognise that - we cannot support new businesses at the expense of a more robust deal we could get with another provider.”

“Financial checks need to ensure that companies that are new or have a low income are not prevented from applying”

There is obviously a clear tension between the levels of risk taken and the need to ease financial requirements, and support the small and micro enterprises.

8.8.5 Bonds:

There is a need to balance risk, take some risks and support/incentivise risk taking to improve outcomes. Work by CGF and IFG highlight the need to specify types of innovation sought and incentivise them through partnership models, and payment and funding arrangements. Risk can be balanced by specifying for example the proportions of payment at risk if PBR targets are not met; payment of interim outcomes, looking at levels of risk transfer through the supply chain.

For example:

The Greater London Authority Social Impact Bond supporting rough sleepers, pays providers a significant sum if those on the programme are in non-hostel accommodation for 6 months as well as longer term outcomes. (From CGF ISS)

8.8.6 Offering a bond against productivity / performance could support small businesses to bid for and successfully deliver a contract. Contract terms need to be proportionate to the value of the contract. (Appendix 4 gives more details about Bonds).

“For example it is not reasonable to require £10m public liability insurance to bid for a contract for small value contracts.”

8.8.7 Recent Consultation “Making public sector procurement more accessible to SMEs’ stated that there is some evidence that the requirement, at the selection stage of procurements, for a performance bond to provide contracting authorities with a financial guarantee in the event of contractual problems, is excessive and often not proportionate to contract values and risk. It also may discriminate against smaller businesses. Larger businesses which have access to substantial capital and assets, or other sources of finance, find it much easier to provide such bonds. But for SMEs, such bonds may only be obtained at the expense of overdraft facilities. This can prevent them from bidding. Respondents commented that performance bonds should only be considered for very high value complex procurements and believed

that better guidance on the use of financial guarantees that advocated a more risk based approach would be a sensible way of addressing the topic.

8.9 Effective contract management

- 8.9.1 Effective contract management is vital to ensure that resources are used effectively and best value obtained. Contract monitoring that is robust is essential to ensure priorities as set out in contracts with strategic partners are delivered effectively. Successful contract management is integrally linked to the culture and mind-set of both the manager and the provider; the capabilities and relationships.
- 8.9.2 The capability and skills to manage contracts, is variable and there is scope for improvement. Important have consistency and excellence in contract management - some contracts have not had regular monitoring of performance indicators (e.g. residential care), contract monitoring that is remote and impersonal, or where changes in the process take place without consultation. Contract management expertise is needed. KCC need to ensure contracts are well procured, set up and managed.
- 8.9.3 Although there is some excellent practice and recent re-lets of some contracts introducing robust performance management, there is a need
- for clearly defined roles and responsibilities for contract managers
 - for people monitoring to be as skilled as the provider, but who do not take responsibility for service
 - to ensure both the capabilities of Contract Managers, with continued support via training/guidance; and also to ensure the capacity to monitor and evaluate performance. KCC is still accountable and owns risk
 - to understand outputs and measures to be used, ensuring set meaningful outcomes, and ensure quality of measures
 - to ensure that all contracts have performance reviews and evaluate outcomes – for instance a schedule of reviews, building a range of monitoring mechanisms into contracts, including for example quarterly and annual reporting and periodic benchmarking.
 - to ensure the Contracts Register is completed. Although much improved there is still work to do regarding number of contracts KCC has and for what services. The Contract register should include all contracts over £50k – and it is proposed this includes details of the named contract manager, and lead director
- 8.9.4 How KCC manages underperforming contracts to improve is vital. Some contracts may not be performing as well as they could, but are not underperforming to an extent they need to be cancelled. Ultimately it is in the best interests to support a provider to improve through the management steps taken when a contract is not

performing at optimum level. It is important that the necessary sanctions are in place for underperforming contracts, for instance agreed improvement plans with clear targets. It is not always about financial sanctions and ultimately it is about improving service.

- 8.9.5 There is a perception that internal services are not performance managed in the same way as external contracts. Internal services should be managed with as much rigour for outcomes, treated on a level playing field as external providers. The need for establishing robust internal challenge has also been identified in Facing the Challenge as a role for the new proposed central team.

Recommendation 22:

Improve the capabilities to performance manage contracts; and ensure the capacity to monitor and evaluate performance and support improvement when appropriate.

Recommendation 23:

Stipulate that all contracts have clearly scheduled performance reviews and evaluate outcomes/outcome evaluations – for instance ensure contracts have schedule of reviews.

Recommendation 24:

Complete the Contracts register to include all contracts over 50k – and include details of the named contract manager, and Lead Director

Recommendation 25:

Manage internally provided Services with as much rigour for outcomes, and performance management as other providers.

9 Member Role

9.1 Governance of Contract Management

9.1.1 Members play a vital role to ensure commissioning and procurement deliver savings, improve outcomes and support SMEs and VCSE; maximising benefits of contracting with SME, VCSE underpinned by social value. Procurement, commissioning and contract management are an integral part of council business and spending, and are critical to delivery of services and strategic importance. Members have a vital part to play in that process. If KCC is to maximise the value it can obtain from the VCSE and SMEs then clear guidelines need to be established from the top of the organisation.

9.1.2 Clearly, Cabinet Members and Cabinet Committees play a crucial role, and there is oversight provided by portfolio holders and Procurement Board - However, there is a role for all elected members:

- having greater oversight of contract management
- being involved earlier, being involved in discussions of new service models and engaging the market and communities, tapping into for example connection with Kent residents – around specification stage dependent on contracts, size etc
- engaging with small or new providers

9.1.3 The key questions are:

- What is the Member oversight of contracts?
- What is the oversight of reviews undertaken with providers at key stages of the contracts? What does evaluation show? Where we are at?
- Where are we with de-commissioning – or what next?
- Through what mechanism should Member oversight be strengthened?

9.1.4 It is worth exploring the concept of having a cross-party strategic group, that can examine the work of commissioning throughout the organisation, and the contracts that result to see whether guidelines are being followed. There needs to be increased transparency. For example in Harrow contracts have to be signed off by another portfolio holder with commercial responsibilities. There is a role for a clearly defined Member Group or Contracts Board feeding into the process. It would need to be clearly defined through strong terms of reference, and agreed where it could add most value and have clear purpose.

9.1.5 The Group or Board should have access (confidential) to any contracts, and re-mitt to talk with both commissioners and procurement teams; would need a committed leader as chairman; and jointly set their Group or Board agenda. All Members should be encouraged to acquaint themselves with the commissioning

outcomes in their local areas, and their specialist areas of interest; referring any concerns to the strategic group. There should be a focus on:

- Contract management – 3 key aspects (cost reduction, performance and service improvement).
- Working with Members and officers to ensure Social Value Act embedded in everything
- Considering what evidence there is of
 - investigation of work being done by VCSE SME organisations in the area of interest to the commissioners?
 - commissioners taking regard of the scope and value of this work?
 - commissioners having had dialogue with potential providers from these sectors?
 - the procurement process allowing for co-design of the service that will achieve the outcomes desired?
- Whether the specification /contract reflect pre-procurement work.
- Is there an understanding that innovation by providers during the duration of a contract will be rewarded?
- Is there consistent contract monitoring and performance management, without frequent changes of process, which is both rigorous and supportive?

9.2 Training

9.2.1 In order to support the changing landscape and increased role of commissioning it was agreed that training, to raise awareness and understanding should be available to all Members. This will support and better equip them in their roles locally regarding commissioning and create knowledge - getting people to understand what is happening now. Training for Members around commissioning, procurement, contract management is in the early stages of being developed in co-ordination with Democratic Services.

Recommendation 26:

Further work is undertaken to the member role and what mechanism would best strengthen member oversight of commissioning, procurement and contract management; and member involvement earlier in the process and pre market engagement; and members are supported through training.

10 Social Value

10.1 Embedding Social Value

- 10.1.1 Social value is key to the success of having strong and safe communities, a skilled and employed local workforce, good quality of life for Kent citizens, and reduced crime and social isolation. VCSE and SMEs are a major part of achieving this.

"A number of recent reports – including the 2013 Federation of Small Businesses report on Public Sector Procurement – have shown that procuring from small, local, organisations has a major impact on the economic sustainability of the area, both in pure fiscal and social terms.

Pan-European research showed that as a country emerges from recession 84% of business is generated by SMEs which are more likely to take on new staff, recruit staff locally and therefore have a greater impact on the employment of young. KCC needs to support and enable SMEs to employ young people. "

"Supporting the development of key life skills and harder outcomes in disadvantaged young people not only delivers a social benefit but economic benefit as well. In addition to improving life chances and wellbeing, commissioning services that address these issues will bring a clear economic gain to Kent County Council through an increase in economic activity and a decrease in welfare claims."

"VCS can bring significant value through things such as match funding, volunteer time ... a wide network of partners who add value to programmes, through providing referrals, programme delivery, work experience, education, training opportunities and provide specialist support for young people where additional needs are identified."

- 10.1.2 As we move to an ever more complex and joined up commissioning environment there needs to be 'Whole systems thinking across service supply looking at co-creation of value'. It was reported 'Social Value' is recognised on a case-by-case basis, and that the breadth and diversity of our services mean that a one-size-fits-all definition of 'Social Value' may not be appropriate or practical to encompass all KCC services. However, KCC must comply with the legislative requirements of 'Statutory Duty of Best Value', the Public Services (Social Value) Act and the 'Community Right to Challenge'. This means it is important for KCC to consider how best to incorporate and recognise 'Social Value' in its commissioning and procurement framework. There are a number of successful examples that have helped KCC to achieve both better value for money and enhanced social outcomes for services in our contracting process, for example:

Highways – the recent re-let of the contract saved the council money whilst providing more local apprenticeships and opportunities to sub-contract to local businesses;

Youth Service – negotiations were held with Locality Boards to use an outcomes based local commissioning framework and dynamic purchasing model to reduce the burden on small VCSE organisations (e.g. reducing PPQ criteria and requirements for proof for several years accounts history). Creating smaller, shorter contracts that appeal to local VCSE providers – enhancing chance of success at procurement stage.

- 10.1.3 There is evidence of added social value through access to funding, creation of jobs and apprenticeships:

"We have successfully applied for additional funding from various charitable organisations and trusts, and received hundreds of donations from individuals over the years bringing many extra thousands of pounds worth of support to Kent's Carers and into the Kent economy."

"We only used Kent businesses unless the specialist skills were not available in Kent, on a practical level it was easier for them as a company to use local business."

"As a company ... we employed 8 or 9 apprentices and last year ran an Apprentice of the Year award, the winner of that award was rewarded with a permanent job organising all our training. ... All apprentices brought value to contract and the majority end up being employed full time and the approach was worthwhile and builds for the future."

"..... a focus on the quality of an apprenticeship, a basic apprenticeship is a million miles away from the additional resources that third sector organisations often put into them"

- 10.1.4 Although some excellent examples are highlighted, Social Value however does not yet appear to be embedded in what KCC do at strategic or commissioning level, and can at times be difficult to quantify. It was highlighted that many of our tenders have not specifically mentioned social value, or the added value an organisation could bring. It is evident that some companies have listened to conversations at market engagement events and included information in their tenders despite no set specific questions around social value. This perhaps shows expertise in tendering, listening acutely but there is a concern that processes need to ensure all companies can demonstrate the additional value they could bring.

- 10.1.5 Within Adult Services commissioning for community support all recent commissioning activities have included stipulations in evaluation criteria regarding the Social Value Act. The recently commissioned Carers short breaks service

tender required providers to evidence how they will provide social value through the delivery of the service. The question formed part of the quality section of the evaluation. Quality was weighted @60% of total score and of this 20% weight was allocated to social value questioning (price being 40%). Could this be included on all tenders (unless contract of size going out to OJEC) to ensure social value is reflected and recognised on a case-by-case basis in individual tender specifications and contracts? The question included was

“Q3. Describe how your service delivery model considers social value and shall improve the social, economic and environmental well-being of Kent society?”

- 10.1.6 The Social Value Act is an important factor in public sector commissioning, and reflecting this other authorities have established Social Value Charters or produced ‘social value toolkits’, to inspire and create social value and indicate intention to maximise social value available from commissioning or procurement activities, for example ‘Inspiring and creating Social Value in Croydon’. A Social-Value toolkit for commissioners’. Strategic Commissioning (Community Support) are working with Corporate Procurement to understand and develop commissioning guidelines, including adopting the Birmingham City Council approach and having a Charter that all contractors sign up to.

Birmingham Social Value Act Charter sets out guiding principles to which Birmingham City Council adheres to and invites its contracted suppliers, the wider business community other public sector bodies and third sector organisations to adopt. It includes how they can improve economic, social and environmental well-being and describe social outcomes that will result from their activities.

- 10.1.7 A charter and guidelines could raise the profile of social value strategically, emphasise KCCs own priority of social value in commissioning and ensure it is embedded. KCC are in early stages of considering developing a toolkit for commissioners and /or charter for providers. Is this something KCC should put in place?

10.2 Measuring Social Value

- 10.2.1 There is an expectation for all providers to demonstrate how their work makes a difference and adds social value. As this becomes embedded into commissioning processes organisations need to measure and evidence how they create social value. NAVCA stated there are number of different tools and approaches being used and developed, and implications for smaller providers. Providers need to keep up-to-date with how social value requirements are factored into KCC commissioning and procurement processes, the different approaches to social value, and the use of monetary and non-monetary values. For example Social Return on Investment (SROI) is one model used which can evaluate what has happened or estimate potential value created; another, ‘Your Value!’ developed by

Community Matters so that voluntary and community groups can demonstrate their social value.

- 10.2.2 NAVCA states that it is unclear what will be the most appropriate ways for organisations to think about, choose and evidence added social value or how measuring progress or achievement should be incorporated within contracts, grants. Research by the Third Sector Research Centre (NAVCA) indicates there are benefits and limits to different approaches, and uncertainty around judgement, potential for manipulation of what is measured through what indicators are used, and how it is reported.
- 10.2.3 There needs to be clear discussion about what value is sought for specific contracts with providers and service users, and how this will be measured. The SROI network promotes the involvement of stakeholders in both prioritising what is to be valued, discovering what outcomes have arisen, and in developing indicators.

“We should forget that social value is objective, fixed, and stable, when in fact it is subjective, malleable, and variable. We cannot have a generic approach to all commissioning and procurement activity. Do we have a social value framework? The Competitive Dialogue procedure of procurement offers more flexibility during the dialogue stage to discuss the fulfilment of social benefit objectives as a two-way dialogue matching KCC’s aspirations with each bidder’s although I recognise that this can only be used for certain types of commissioning activity.”

“Recent tenders have not asked about wage levels or aspirations, about the % of skilled management posts which will be located in Kent for example. Some have not even mentioned Social Value at all. Whilst unfortunately this area will ultimately become another easy one for larger companies to pay lip service to, KCC can ensure at least some minimum criteria which will benefit Kent citizens are adhered to. Minimum proposals here would include ensuring a high profile of Social Value throughout the tender documentation; including a mention of KCC’s own priority of Social Value in commissioning (eg through skilled local jobs, improving wages etc.); and mentioning a commitment to a diversity of providers (subject to the usual legal limitations in tenders) to include national and local organisations, charities etc.”

10.2.4 The evidence highlighted there is a need to

- give greater recognition of the social value VCSE brings and the role that they can play in working with the council to discharge its responsibilities through the Social Value Act

- look at approaches to measure social values - social return on investment
- recognise 'Social Value' outcomes desire may differ on a case by case basis
- clarify the social value KCC is looking for and strategic direction
- engage with the community and local knowledge about what the issues are to be resolved – greater understanding of the types of social benefits to be sought – skilled training, apprenticeships, local management posts, wage levels, % of local suppliers, fair payment - meaningful consultation with communities would allow significant specifications to be put to ITT.
- consider how KCC could incorporate and reflect social value in tender questions, evaluation criteria, and procurement decisions, raising its profile and level of importance

"KCC needs to decide what benefits it requires and whether these are compatible with the Public Procurement Regulations - there can be no discrimination based on Kent businesses or people."

Recommendation 27:

To maximise and give greater recognition to Social Value, incorporate consideration of social value questions in tender evaluation criteria and procurement decisions where possible, and develop a Social Value Charter.

Appendices

Appendix One: The Scope of the Review

Scope: The issues are explored in more detail to give a broader picture of the questions that the Committee considered when exploring this topic.

What can we learn from current experience?

What do we need to do next to become a better commissioning authority – to remove barriers to entry for providers?

How, in becoming a commissioning authority can the voluntary, community and social enterprise sector (VCSE) play a more important role.

Role as Commissioning Organisation and Strategic Context

- What is Commissioning?
- Do we understand as an organisation what we want or are trying to achieve? Are we sufficiently focused - are we a provider organisation or commissioning organisation?
- Do we have a clear understanding of our role as a commissioning organisation?
- What is our commissioning strategy?
- Are there any strategic barriers to achieving the transformation Kent needs through commissioning? How might we mitigate these?
- Is there clarity around budgets and commissioners ability to enact the strategic direction?
- What does successful commissioning look like? What do we do well and what can we improve? Are we an intelligent client? Do we know what we want & don't want?
- How do we balance our service requirements and budget of council and using the VCSE sector?
- Where can County Council Members add most benefit within a commissioning organisation?

Market Development - What are the costs of entry into KCC commissioning and procurement exercises and do these costs present a significant barrier to new providers?

- What are the costs of entry into KCC commissioning? Is access to the market equitable?
- How does this affect the sectors? Business return/profit?
- What does this mean from a provider perspective?

Market Development - How might any barriers to entry for new providers be mitigated or removed?

- What are the barriers for providers? How might these be mitigated? e.g. costs of insurance, contract length, capacity, skills, Legal/Type)
- How proportionate is paperwork to spend/contract value? What have we/can we do online to reduce burdens?

- How much of our provision is with VCSE, SME's? What are our targets/guidelines for procuring Kent business? Services from VCSE? SMEs?
- How are we supporting 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?
- How do we work with SME's? What else might we do?
- What are the implications of subcontracting? What are the learning points about large suppliers using SME's/VCSE's? What might we do to support large private suppliers and VCSE sector working together?
- How is Kent actively shaping and developing the market, what else might we do?
- How have consortiums been successful in entering the market? How have these worked in practice - what might they/we do differently?
- What part does the construction of the proposal and contract type chosen influence which providers tender?
- Can VCSE sector and SME's build own capacity? Maintain rate of growth?

Commissioning/Contract Management –

Do we decommission / re-commission services based on performance?

- Why is re-commissioning/de-commissioning important? Are the processes clear?
- Do we have a clear picture of what we are spending and with whom?
- How are we developing the market through decommissioning and re-commissioning? What are the benefits of particular procurement models (e.g. Dynamic purchasing model)?
- How is decommissioning influenced by nature of service and market?
- Contract monitoring – What are the realities of outcome focused commissioning? How successfully are we monitoring outcome focused contracts? Are the outcomes specified the right ones for contract – activity or outcome based? Do we understand model procuring into/service pathways and key part supplier plays, interdependencies and specific attributable outcomes? What can we learn?
- How do we reward providers for past performance? Do we assess past experience of providers in procurement process? How can we build previous experience of providers into procurement process?
- What is our approach to managing contracts, in particular poorly performing providers? What do we need to get better at?
- Is there clarity of roles between commissioner and provider/supply? Do we understand our role as a commissioning organisation and have the skills to support this? Are we good commissioners?
- How can the right commissioning and contract management help meet KCC's savings targets? In managing contracts what do we do well, what should we do better? How might we modernise our approach? Do contracts include good specifications and the necessary levers? How have other LA's approached this e.g. Essex?
- How should we balance the need for contracts that give time for innovation, companies to make a return and enable Kent to decommission and ensure good market development? Within our contracts is there capacity through length of contract for service re-design and innovation?
- What are our relationships like with suppliers – how could these be better?

- What impact does length of contract have on providers entering the market, performance managing a provider on outcomes, provider gain and added social value?

How can KCC best discharge its responsibilities through the Social Value Act

What type of social benefits should be sought through commissioning and procurement?

- Are we meeting the duties of the social value act?
- How can we use commissioning to ensure meet duties under social value act?
- How have we worked with providers to achieve social value? (e.g. apprenticeships, waste)
- Do our procurement systems allow wider public value judgements to be included in the assessment of tenders so that the added value of the voluntary and community sectors can be recognised in the decision about procuring our goods and services?
- How does the nature of the added social value depend on the procurement model, sector or individual provider?
- To what extent should social value requirements be sought throughout the KCC supply chain?

What can we learn from current experience? What do we need to do next to become a better commissioning authority?

Appendix Two: Evidence Gathering

A list of those who attended meetings with the committee. All also provided written evidence prior to meeting with the Committee.

Tuesday 14th January 2014

Judy Doherty, Business Transformation and Programmes Manager, KCC

Tuesday 21st January 2014

John Burr, Principal Director of Transformation, KCC

Mark Lobban, Director of Strategic Commissioning, KCC

Henry Swan, Head of Procurement, KCC

Wednesday 22nd January 2014

Dean Benson, Contract Director - Transportation, Amey

Sam Buckland, Audit Manager, Internal Audit, KCC

Wednesday 29 January 2014

Keith Harrison, Chief Executive Action with Communities in Rural Kent

Roger House, Chairman, Kent & Medway Federation of Small Businesses with

Tim Colman, Director of Partnership Working Limited &

Alison Parmar, Development Manager, Kent & Medway Federation of Small Businesses

Jan Perfect, Chief Executive, Case Kent

Thursday 30th January 2014

Peter Heckel, Director, Project Salus

Carolyn McVittie, Managing Director, Stepahead Support

Thom Wilson, Head of Strategic Commissioning (Children's), KCC

Monday 3rd February 2014

Angela Slaven, Director of Service Improvement , KCC
Nigel Baker, Head of Integrated Youth Services, KCC &
Andy Jones, Planning and Development Manager, KCC
Jason Martin, Director, CAP Enterprise

Tuesday 4th February 2014

Karen Sharp, Head of Public Health Commissioning, KCC
Ryan Campbell, Chief Executive, KCA &
Karen Tyrell, Director, Development and Marketing, KCA
Sean Kearns, Chief Executive. CXK &
Stephen Bell, Director of Business Development, CXK

Thursday 6th February 2014

Peter Turner, Chief Executive, Carers First &
Lorraine Williamson, Chief Executive, Crossroads Care East Kent
Diane Aslett, Development Officer, Age UKs in Kent Consortium with
Nigel Vian, Chief Executive, Age UK North West Kent &
Gillian Shepherd Coates, Chief Executive, Age UK Sevenoaks and Tonbridge
Emma Hanson, Head of Strategic Commissioning - Community Services, KCC

Friday 7th February 2014

Christy Holden, Head of Strategic Commissioning (Accommodation Solutions), KCC
Adrian Adams, Chief Operating Officer, Kent & Medway Care Association / Research
Fellow at University of Kent with
Gill Gibb, Member of the Kent Care Homes Association &
Ann Taylor, Chair of the Kent and Medway Care Alliance Board &
Clare Swan, Member of the Board of the Kent Care Homes Association
Comments received as written evidence.

Evidence gathering - Written Evidence to the Select Committee.

To complement evidence heard by members of this Select Committee during their witness hearings; KCC commissioners from across the directorates and a selection of organisations from across Kent were invited to submit their views regarding “How KCC can become a better commissioning authority – in particular removing barriers to small to medium businesses, voluntary agencies and the social enterprise sector?” for the final session on written evidence , Friday 7th February 2014.

Twenty-two organisations from across Kent were invited to send in written evidence. The organisations invited to comment were:

1. A range of Voluntary Agencies and Social Enterprises: both providers and infrastructure organisations;
2. Contracted Youth Services providers;
3. Organisations who had been both successful and unsuccessful in procuring KCC contracts

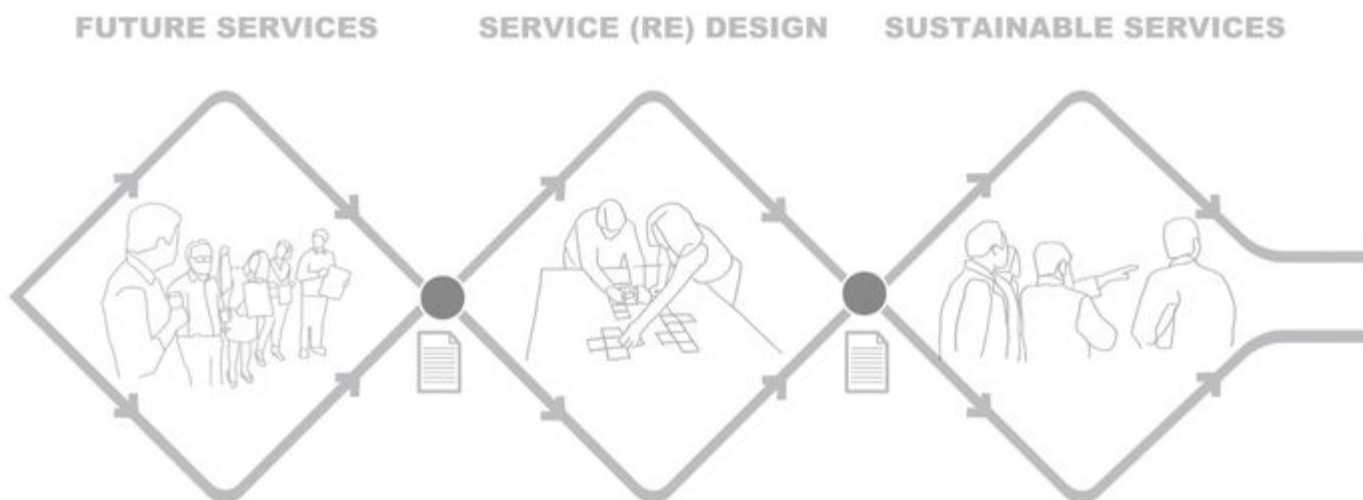
Appendix Three: Social Innovation Lab for Kent

SILK is a small team based within Kent County Council that was set up in 2007 to 'do policy differently'. Over the past 4 years they have been doing projects which have demonstrated the benefits of working in a different way and have developed a Methodology and Toolkit which provide a structure for the way they work.

SILK believe that the best solutions come from the people who are closest to the issue; this could be service users, residents or frontline staff. SILK go much further than community consultation and believe that people should be actively involved in the design of services that they are going to use or deliver. The SILK Methodology provides creative and innovative ways to engage with people and approach projects, and enables a collective ownership and responsibility for project design, delivery and outcomes.

Methodology

Each project will fall into one of three diamonds: **Strategic / Policy**, **Service Re-design**, or **Creating Sustainable Communities**:



Once the type of project has been identified it will follow four phases:

Initiate | Create | Test | Define. This is illustrated in the SILK Project Planner:

Silk Project Planner: The four phases:

Initiate

- Get the right people involved
- Collectively create a project plan
- Decide who else needs to know about the project

Create

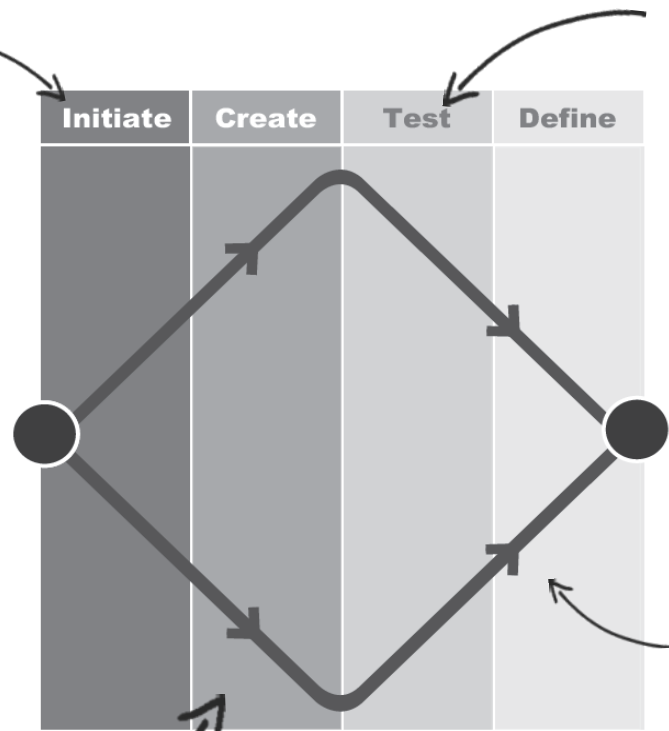
- Gather as many insights as possible
- Involve a wide range of people
- Create ideas that can be tested in the next phase

Test

- Test the ideas that were suggested in the Create phase
- You will need to keep testing until a model that works is found
- Testing can involve trial runs, prototypes or 'mock ups'

Define

- Once a model has been tested and is known to work it can be defined and consolidated
- The final output may be a report that captures what has been done alongside



The **Method Deck**, designed by SILK can then be used to choose which methods should be used during each phase of the project. The Method Deck and Project Planner allow for the project to be planned collectively in groups, with everyone having ownership over the decisions and course the project will take. It is a flexible project methodology and can be adapted as the project progresses.

Appendix Four: About Bonds

A bond is a form of loan or IOU: the holder of the bond is the lender (creditor), the issuer of the bond is the borrower (debtor), and the coupon is the interest. Bonds provide the borrower with external funds to finance long-term investments, or, in the case of government bonds, to finance current expenditure.

Bonds usually have a defined term, or maturity, after which the bond is redeemed.

Being a creditor, bondholders have absolute priority and will be repaid before stockholders (who are owners) in the event of bankruptcy.

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By: Paul Carter, Leader of the Council

To: County Council – 15 May 2014

Subject: Facing the Challenge: Towards a Strategic Commissioning Authority

Summary: This paper highlights key areas in which we need to strengthen our capability, to enable KCC to become a more effective strategic commissioning authority. It also provides more detail on the proposed role of Members in commissioning.

Recommendations:

The County Council is asked to agree the following:

- a) The development of the Council's Strategic Commissioning Plan as set out in section 6
- b) The role of providing effective and joined up commissioning leadership across KCC should lie with Cabinet, as outlined in section 7.10
- c) The cross-party Transformation Board be tasked to examine in more detail the role of Members in commissioning, as set out in section 7.12
- d) A set of projects be established by the Corporate Director for Strategic and Corporate Services / Head of Paid Service, in his role as Senior Responsible Officer for the Business Capability Transformation Change Portfolio, to:
 - Develop a Strategic Commissioning Plan and Outcomes Framework
 - Work with commissioners to develop a Commissioning Framework for KCC
 - Define and improve our Commissioning Support offer to commissioners.

1. Introduction:

1.1 'Facing the Challenge: Whole-Council Transformation' approved by County Council in July 2013 set out the overarching strategy of becoming a strategic commissioning authority that KCC would need to follow to meet the financial pressures emanating from both increase demand for services and a reduced level of central government grant.

1.2 To date, the Facing the Challenge transformation programme has focused on delivering a new operating framework and the completion of the first phase of market engagement and service reviews. There is, however, increasing appetite from both Members and staff, evidenced by the findings of the recent Commissioning Select Committee and the LGA Corporate Peer Challenge of KCC, for greater clarity on what a commissioning authority means for KCC, its staff and its service users.

1.3 The timing is ideal, as we enter Phase 2 of the transformation programme, that we can begin to bring the learning from the LGA Corporate Peer Challenge, the Commissioning Select Committee, and the engagement from other authorities through Phase 1 of Facing the Challenge together, to provide a clearer and more comprehensive picture of what KCC as a strategic commissioning authority should be.

1.4 It should, however, be remembered that 'Facing the Challenge: Whole Council Transformation' envisaged KCC becoming a strategic commissioning authority over a number of years. It is not possible to simply flick a switch and become a strategic commissioning authority, in the way that we envisage, overnight. Nor do we yet have all the detailed answers to all the specific questions that exist. We are, however, in a position to put greater 'flesh on the bones', so that through Phase 2 of Facing the Challenge, we can ensure that the characteristics and capabilities of an effective strategic commissioning authority are increasingly in place.

2. Why A Commissioning Approach For Kcc?

2.1 It is important to remember why a strategic commissioning authority model is appropriate for KCC, especially given that KCC is not new to commissioning but carries out commissioning across a full range of people and place based services on a daily basis.

2.2 KCC spends £1billion on goods and services from external suppliers, across a range of services from highways to adult social care. If becoming a commissioning authority was merely about more services being provided by external suppliers through increased contracting, then KCC could justifiably argue that it is already a long way to being a commissioning authority.

2.3 This is not, however, how KCC, or many other councils, define what it means to be a strategic commissioning authority. The Local Government Association makes some important points about commissioning that are worth noting:

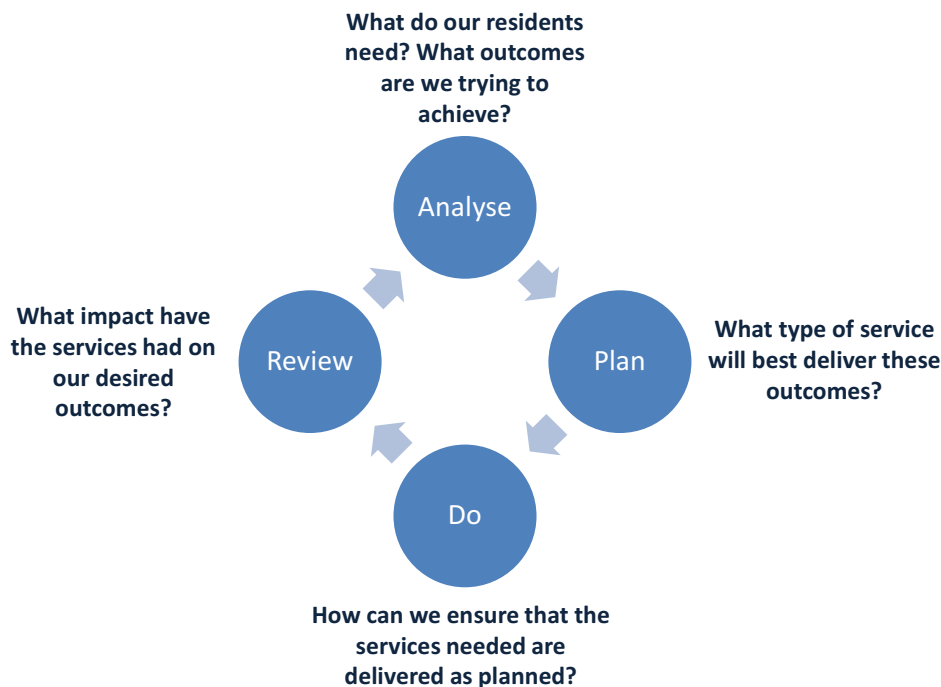
- **Commissioning and procurement are not the same:** Procurement is the process of acquiring goods, works or services from providers and managing them through a contract. A commissioning strategy may result in procurement, but could just as easily result in a policy change or an information campaign. There are many ways to deliver outcomes.
- **Commissioning is not privatisation or outsourcing:** Commissioning does not start with a preconception that services should be provided by a particular sector or type of provider. Who delivers the outcome remains the choice of the council based on the recommendations from the commissioning process.
- **Commissioning is not just about the bottom line:** It is about finding the most efficient way to deliver services, but it is also about creating value – either economic, social or environmental value – by incorporating costs and benefits more clearly into decision making.

2.4 These points were reflected in the way KCC described how it would operate as a strategic commissioning authority in the July 2013 Facing the Challenge paper, which stated:

“KCC will be a commissioning authority. This does not mean that it will have divested itself entirely of any role in providing services and have adopted a purely enabling approach. Instead, KCC will have a strong understanding of community and user needs, the outcomes it wants to achieve within the resources available, and the range of providers, either in-house or external, across the public, private and voluntary sector that have the capability to deliver these outcomes.”

2.5 So whilst Facing the Challenge does open up the potential for more KCC services currently provided in-house to being provided through external suppliers through market engagement and service reviews, it is the emphasis on delivering through the whole commissioning cycle, rather than just focussing on the procurement or contracting arrangements for services, that defines what it means to be a strategic commissioning authority.

Diagram 1: Stages of a typical commissioning cycle



2.6 Diagram 1 above sets out a standard commissioning cycle of analyse, plan, do and review. If we look at the commissioning cycle as a whole, it is clear that KCC is relatively stronger in some stages of the cycle and relatively weaker in other stages. Whilst all the stages of the commissioning cycle are discharged to some extent, traditional local government delivery models, including KCC, have more heavily focussed on the ‘plan’ and ‘do’ stages, especially where services are provided in-house.

2.7 However, in becoming a commissioning authority we must give equal importance, and be equally focussed on delivering the ‘analyse’ and ‘review’ stages, to ensure that there is clarity on the outcomes we are seeking to achieve, that these outcomes are evidence based and informed by a strong understanding of our customers, and that we review, in a structured way, whether services are meeting the outcomes intended. This will inform whether they should be recommissioned or

decommissioned, or any issues necessary to be addressed in the next iteration of the commissioning cycle.

2.8 Alongside this increased prioritisation of the 'analyse' and 'review' stages of the commissioning cycle, our approach to the 'plan' and 'do' stages will also develop. This will include a greater focus on outcomes at strategic and service level and the holding of providers, both internal and external, to account for achievement of these outcomes. These stages will be underpinned by a strong client model which requires clarity on outcomes, robust commissioning processes, and effective procurement capabilities.

2.9 By becoming excellent at each stage of the commissioning cycle, and having the discipline to follow the commissioning cycle in full across all KCC services, a commissioning authority will help ensure that:

- Every pound spent benefits our residents and is value for money for Kent taxpayers
- All KCC activity is focused on the delivery of our strategic outcomes
- All decisions taken, and services commissioned, are based on a strong understanding of customer need
- Every option considered for the delivery of services is done so on the basis of a full understanding of true costs
- The strengths of the voluntary, community and private sectors in Kent are fully utilised
- Tough decisions, including when to decommission services, are taken in an appropriate and timely manner.

3. Other Local Authorities' Approaches To Commissioning

3.1 Given the pressures that exist across the local government sector, it is not surprising that other local authorities are also increasingly seeking to adopt a strategic commissioning authority approach. Whilst it is simply not possible to transpose one authority's model to KCC, where we can learn from others who are going through a similar journey, we should seek to do so.

3.2 The **London Borough of Croydon** has implemented a model similar to KCC in that Directorates maintain responsibility for commissioning, however they have also established a central Strategy, Commissioning, Procurement and Performance function that has responsibility for providing oversight of this directorate commissioning to ensure cross-cutting synergies are identified and commissioning is joined up around outcomes. This single hub brings together resources from across the Council in order to enable frontline services to develop strategy and strategic commissioning across the organisation, develop a consistent professional approach to commissioning, procurement and category management, support performance management and deliver better performance outcomes, and ensure all of these functions work sympathetically as enablers to both serve and challenge services. In addition they have a Corporate Commissioning Board which has oversight of all directorate commissioning strategies and ensures all potential synergies are explored.

3.3 **Worcestershire County Council** is also currently implementing a devolved commissioning model, with all commissioning taking place within Directorates. To

ensure that service silos are avoided and a cross-cutting focus on outcomes is achieved, they are implementing a matrix working approach, with six key outcomes (e.g. Act Local, Stronger Families, Personalisation) so that commissioning plans from each Directorate are brought together to ensure that a joined up approach is being taken at all times. They are establishing a Commissioning Support function which will have responsibility for key skills and functions necessary for effective commissioning, specifically commercial, financial, legal, procurement, intelligence, contract management, programme and change management, and IT enabled change. This unit will provide advice and support to commissioners within Directorates to ensure that commissioning is being carried out to a consistently high standard.

3.4 The **London Borough of Sutton** has also taken a devolved commissioning approach, keeping all commissioning within Directorates. They have developed a corporate commissioning framework, which all commissioners apply, and have also set up an internal commissioning network to share best practice across commissioning Directorates to help avoid silo-based commissioning. The Council is currently considering setting up a 'commissioning support hub' to maintain commissioning standards, lead on effective market engagement, and oversee procurement activity to support commissioning.

3.5 **Gloucestershire County Council's** centralised Commissioning Directorate is supported by a small Enabling and Transition directorate providing the tools needed to support Delivery and Commissioning and the wider Council through change. In addition they have recently decided to establish a new Commercial Service that will be a centre of expertise for procurement, category management and contract management across the organisation. The service will also act as a 'doorway' to wider commercial support needs, including internal support services (e.g. Finance, HR, Legal), and therefore simplify the management arrangements for new commercial projects.

4. Characteristics And Capabilities Of An Effective Strategic Commissioning Authority

4.1 Although the approach taken in each authority above differs, most notably as to whether commissioning sits within services, in specialised teams or is undertaken corporately, they all share a common set of characteristics that are pre-requisites for an effective strategic commissioning authority.

- **Absolute clarity on the strategic outcomes:** By providing clarity on the strategic outcomes the authority is seeking to achieve for residents and services users, and reinforcing this through the wider commissioning, policy, performance and risk frameworks, the intention is to create flexibility for both commissioners and providers to innovate and provide 'bottom-up' solutions in the design and delivery of services to meet strategic outcomes.
- **Clearer roles and responsibilities:** Recognising that there are clear and distinct roles within the commissioning cycle, authorities adopting a commissioning authority approach make a clearer distinction (not necessarily always structural) between those who are commissioning services and those providing services irrespective of whether providers are in-house or external. They also make a clearer distinction between commissioners, commissioning support services (e.g.

procurement), and the corporate core of the organisation that supports the policy, risk and performance frameworks for the authority.

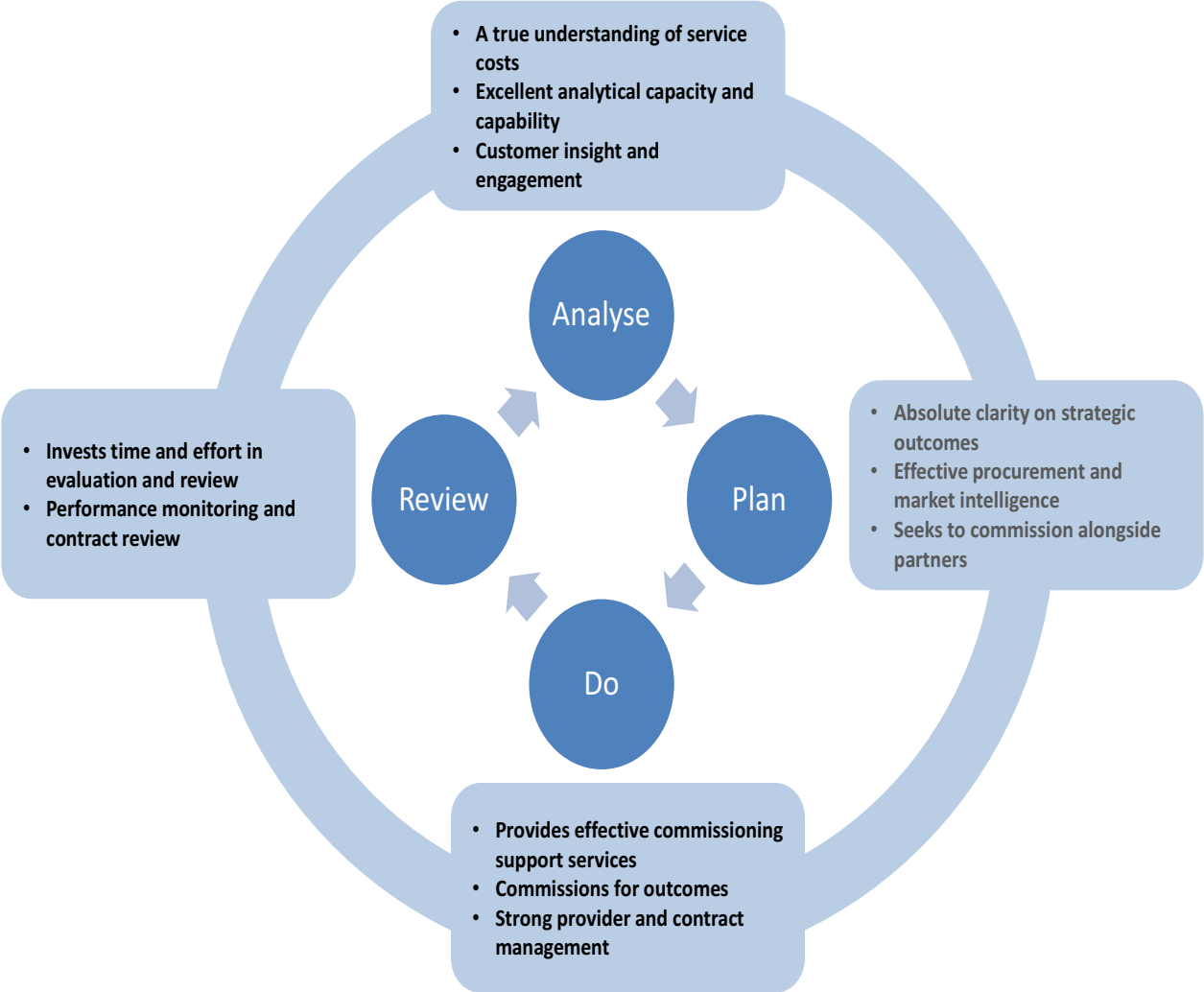
- **Effective commissioning support services:** it is recognised that commissioners cannot do effective commissioning solely by themselves, and that effective commissioning support services are vital to successful commissioning. In particular, specialist or technical areas such as data analytical capacity, customer insight, effective procurement and contract management support need to be sufficient to provide wrap around support to commissioners.
- **Commissions for outcomes, rather than outputs:** there is a widespread recognition across the public sector that if we commission the same services and activities as we always have, we are unlikely to see a significant change in outcomes for residents. Instead, we need to work with our residents to determine the outcomes they need KCC's support to achieve, and then determine how we can target resources more strategically to achieve these outcomes. This also means holding providers to account to ensure their success is measured in difference made, not in outputs and activities delivered.
- **Robust decision-making:** in addition to ensuring that all commissioning decisions are underpinned by strong evidence of customer need and evaluation of service effectiveness, effective strategic commissioning authorities ensure that suitable governance is in place at both member and officer level to ensure appropriate commissioning decisions are taken. Linked to this, clarity is required between officer, Executive member and non-Executive member roles in commissioning and commissioning decisions.
- **Increasingly seeks to commission alongside partners:** improving outcomes for a population are not the domain of a single organisation, but rather requires the input and expertise of partners across the public sector. As KCC is already doing in many instances, authorities adopting a commissioning approach are pooling financial and other resources across partners, not only reducing duplication but also providing a more integrated and effective experience for service users.
- **Invests time and effort in evaluation and review:** the 'review' stage of the commissioning cycle review is as important as the other stages, and effective commissioning authorities use their data analysis information and expertise to test and question the effectiveness of services at regular intervals. This can lead to 'fine tuning' or even major changes to specifications before re-commissioning, to learn from what has worked and not worked.
- **A true understanding of the service cost:** commissioning authorities which are agnostic about delivery models need to have a deep understanding of the cost of their services, to ensure that commissioning budgets are realistic, to ensure a level and transparent playing field in any procurement exercise, to give providers sufficient flexibility to deliver outcomes in the way they choose, and to ensure that the Council does not carry residual costs after a service has been changed or decommissioned.

4.2 Alongside these characteristics is a set of capabilities a strategic commissioning authority requires if it is to be effective. These include:

- **Analytical capability:** Commissioning should be evidence based and driven by insights from structured analysis of all available data about customers and their needs, as well as data about costs and the effectiveness of services and interventions. This helps to ensure commissioning of the right services in the right way to make the biggest impact on achieving outcomes, but also in focussing on the root causes of issues and commissioning services to prevent demand.
- **Customer insight and engagement:** There needs to be strong capability around customer insight, so that services being commissioned fully reflect both the needs of our service users but also how they want services to be delivered to them. There should be increased co-production and co-design of services with service users wherever possible, to ensure they are not over-specified or specified around professional/provider bias.
- **Procurement & Market Intelligence:** commissioning for outcomes means that an enhanced set of procurement skills are required by commissioning authorities. Deep understanding of changes in our markets is paramount, as is an ability to procure in a creative and innovative way to achieve the best outcomes and value for money for KCC and our residents. Regular engagement with the market, agility to capitalise on best practice and commercial acumen in contract development and negotiation are becoming core skills within commissioning authorities.
- **Provider and Contract Management:** An in-depth understanding of the markets in which services operate is required to ensure that we are continuing to secure the most innovative and effective providers possible, with strong and effective contract management arrangements in place to ensure that to strengthen the relationships we have with third and private sector providers, to ensure that they understand the outcomes we are aiming to secure for our residents, and so that they are fully committed to working in partnership with us to achieve these goals.

4.3 How these characteristics and capabilities map across to each stage of the commissioning cycle is set out in diagram 2 below:

Diagram 2: Characteristics and capabilities linked to commissioning cycle



5. What Areas Do We Need To Strengthen?

5.1 It is important to understand that the move to a strategic commissioning model does not mean that what KCC has done before has been inappropriate. Indeed, this would be very far from the truth. KCC has a strong reputation and track record on effective service delivery, as shown by many years of four star performance ratings from the Audit Commission and further reinforced by the positive findings from the recent LGA Corporate Peer Challenge of KCC. Similarly, there are many existing examples of effective commissioning within KCC, for example for services for carers. When we have faced challenges, such as in Children’s social services, we have quickly and successfully invested to improve them.

5.2 If we accept the characteristics and capabilities of an effective strategic commissioning authority as set out in the section 4 above, then it is necessary to strengthen a number of key areas of current practice, and improve our capacity and capabilities in others. Over the course of Phase 1 of Facing the Challenge, our understanding of where we need to strengthen, and what needs to be done to address them, has become far clearer. These include:

- **We need to provide clarity on the strategic outcomes for the authority:** The critical starting point for any successful commissioning authority is a need for

clarity on the strategic outcomes it is seeking to achieve. We need to better define the strategic outcomes for KCC, both for Kent as a county at a population level, and across key KCC client groups. These strategic outcomes must then be aligned to specific commissioning objectives at both client and service level, so there is clarity across the organisation about who is responsible for achieving which strategic outcomes.

- **We need to develop a Commissioning Framework for the Council:** A council-wide strategic commissioning framework will enable consistency of approach to commissioning across KCC, providing a process and principles for commissioners to apply, and standards to meet, when commissioning any service. It should also define specific roles within the commissioning cycle, including the relative responsibilities of commissioning and procurement. It is important that KCC has a clear and consistent definition of both functions to provide clarity on roles and responsibilities, and to reduce confusion.
- **We need to improve the quality of our commissioning:** With a significant amount of external spend KCC is already commissioning many of its services. However, the effectiveness of this commissioning varies at present. To achieve maximum value from our resources we need to ensure that all commissioning is carried out more consistently and in a way that directly contributes to our strategic priorities. We need to shift to consistently using evidence to inform our commissioning decisions, commissioning on an outcomes basis, and evaluating the effectiveness of commissioned interventions. Particular focus needs to be on the quality our commissioning specifications ahead of engaging in procurement exercises.
- **We need to embed the principles of the Social Value Act in our commissioning and procurement activity:** KCC has already started to consider 'Social Value' and include social outcomes within our procurement process, however we need to take a more consistent and formalised approach to the consideration of grants as part of our commissioning approach, in particular for small-scale service provision. In addition, there is significant scope to improve the way in which we use the procurement process to improve social value.
- **We need to clarify our commissioning support offer:** At present, each Directorate finds its own solution to supporting commissioners, for example by creating business intelligence functions within Directorates. Not only does this increase costs for the Council through duplication, but it also dilutes our commissioning support expertise and capacity and makes it difficult for commissioners to know where and how to access effective support.
- **We need to improve our capability to analyse data:** KCC has a wealth of input and output data, but our strength to date has tended to be in performance reporting rather than genuine statistical analysis, which drives service and client insight and informs commissioning decisions. The recent work carried out by Newton Europe has demonstrated the significant value of this type of analysis, and has highlighted the lack of sufficient analytical skills and activity across KCC. Not only must we develop this capability, but we must also support a change in culture across commissioners and managers to use insight from data analytics to drive decision-making, service transformation and day-to-day management action.

- **We need to improve our customer intelligence capability:** At present there is a wide variety of ways in which this customer insight is obtained and used – the customer insight function within Business Intelligence is used to varying extents by different services, with some parts of the Council carrying out their own analysis. This not only leads to duplication of data and activity, but also means that our analysis may be incomplete and therefore lead to incorrect commissioning decisions. Key tools such as the Joint Strategic Needs Assessment (JSNA), which identifies need at a population and client level, should increasingly be central to a more holistic understanding of need and demand, and underpin joined up commissioning across KCC services and with our partners.
- **We need to improve our customer engagement capability:** to ensure that our commissioning decisions are appropriate for our residents, we need to be seeking resident views on their needs, what support would be most beneficial, and how they can help manage their own demand for support through a more structured approach. Like customer insight, this is done in a wide variety of ways at present, and there is no single source of expertise and capacity within KCC. This increases the risk of over-specification of services based on professional or provider bias rather than genuine customer need. Moreover, greater use needs to be made of Members understanding of local community needs as part of improved customer engagement.
- **We need to strengthen our provider and contract management capability:** As more of the Council's services begin to be delivered through alternative delivery models, our commercial acumen and ability to hold providers to account is vital. At present, some services have a well-established history of contract management and as such have strong skills, whereas these skills are lacking in other parts of the Council. Even in areas used to contract management, quite a traditional approach is being taken, with a focus on outputs rather than outcomes.
- **We need to ensure our policy, performance and risk frameworks are robust:** We need to ensure that there is a robust policy framework, which underpins the strategic priorities of the Council and ensures that corporate policy and strategies are applied consistently across KCC, for example a consistent policy for working with the voluntary and community sector. There needs to be clearer delineation between those policies and strategies that are corporate and apply across the whole council, and those which are service or client specific and the responsibility of services and commissioners. In short, there should be less, but stronger policy and strategy, with clarity about ownership and accountability.

5.3 Although there are a number of gaps listed above, it is worth noting that KCC is not starting from scratch. A number of these functions already exist in different parts of the council, the challenge is to better utilise the existing capacity and capability we have, or codifying and adhering to an approach across the council with a greater degree of discipline. In some cases, it may be more effective to buy particular capabilities in on a short term or contractual basis. By strengthening our capabilities in the areas highlighted, KCC will begin to develop a strategic commissioning model that effectively supports operational commissioners to focus on improving outcomes for Kent residents.

6. Addressing The Gaps Through Phase 2 Of Facing The Challenge:

6.1 It is possible to identify three key work streams that need to be progressed through Phase 2 of Facing the Challenge to address the gaps identified above, and move KCC, at greater pace, towards a commissioning authority model. These are:

- Developing a Strategic Commissioning Plan and Outcomes Framework
- Work with commissioners to develop a Commissioning Framework for KCC
- Defining and improving our Commissioning Support offer to commissioners.

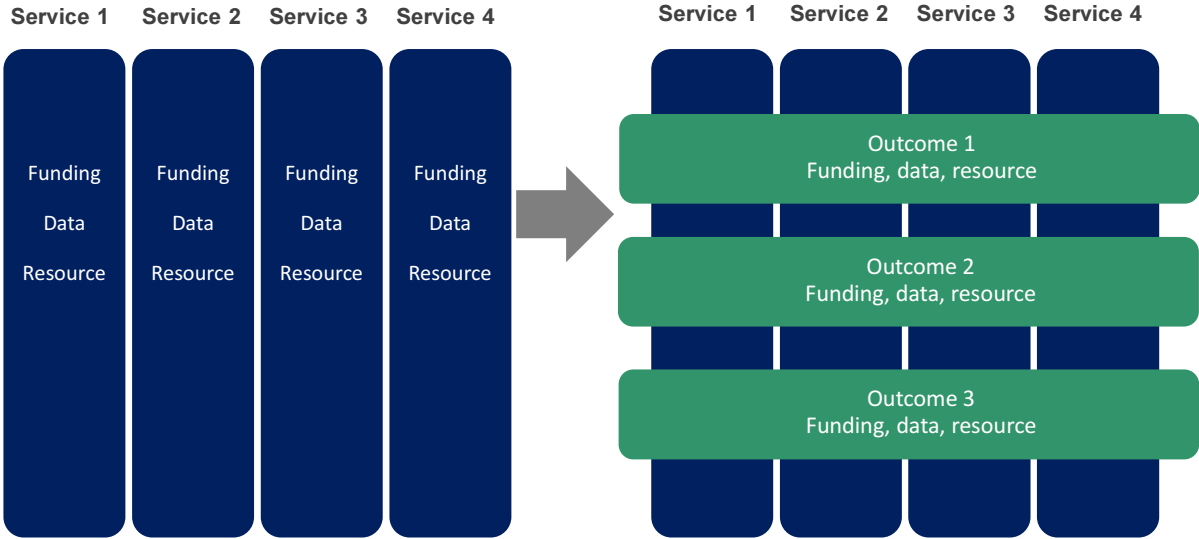
Developing a strategic commissioning plan and outcomes framework

6.2 KCC has a long track record of developing strategic statements to set the overall direction and priorities for the authority over the medium term, normally a four-year period. Under the KCC constitution, the strategic statement is a matter reserved for the County Council approval, and previous iterations, such as *Towards 2010* and *Bold Steps for Kent* have proved effective mechanisms to frame member priorities for the organisation.

6.3 It is logical that the next strategic statement should become a strategic commissioning plan and outcomes framework for KCC, both reinforcing and supporting the development of KCC in becoming a commissioning authority. In many ways delivering the strategic statement through a strategic commissioning plan doesn't change the fundamental purpose of the document, as it will still be Member-led and approved, focus on the medium-term priorities for members and be expected to drive activity across and within KCC.

6.4 However, in a number of areas a strategic commissioning plan would look and feel very different. Traditionally, the strategic statements have set priorities based around individual KCC services, although *Bold Steps* tried to break away from this to a certain extent, it did not set outcome targets spanning all KCC client groups. By setting out the strategic outcomes for all KCC key client groups, the strategic commissioning plan should cut across service silos and set bold and ambitious outcome targets which drive commissioning and service activity at client level, rather than at service level, across the whole authority. Diagram 3 provides an illustration of how an outcomes-based commissioning approach would sit across services.

Diagram 3: Illustration of outcomes-based commissioning approach:



6.5 Once these client level outcomes are agreed it is important for the Strategic Commissioning Plan to identify the commissioning priorities that are required to support the delivery of these outcomes. By identifying these commissioning priorities, the commissioning plan begins to build a picture of the changes to services that are going to be delivered, and strategically drives commissioning activity across the authority.

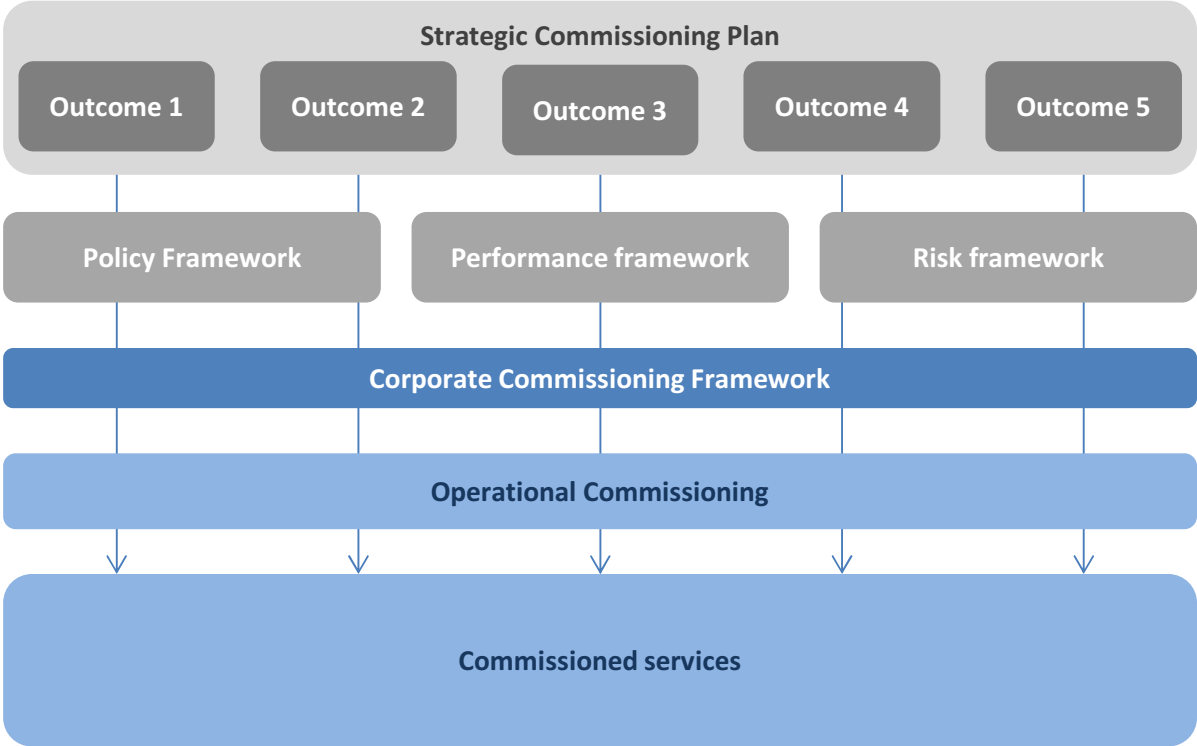
6.6 An essential part of the Strategic Commissioning Plan is not just the identification of what those outcomes are, but also the strategic performance indicators, targets and supporting indicators that are necessary to measure whether outcomes are being achieved, and what impact KCC services are having in delivering those outcomes. It is critical to agree the outcomes framework alongside the commissioning plan, as it is a fundamental component and essential underpinning of a stronger performance management framework, providing clarity for commissioners and service providers on what they will be held accountable for delivering.

6.7 The Strategic Commissioning Plan should also better link resources, particularly financial resources, to the outcomes for our residents and service users, including any financial investment, constraints and disinvestment decisions need to deliver those outcomes.

6.8 One risk in adopting this approach for a Strategic Commissioning Plan is that services may not automatically see the link between the strategic priorities and outcomes and their service activity. However, it is possible to link client based outcomes to particular services through mapping strategic outcomes to commissioning objectives and then to service priorities. For example, the way in which Gloucestershire County Council tests this link between outcomes and commissioned services is shown at Appendix 1.

6.9 An illustration of how we will apply this approach through the Strategic Commissioning Plan, the KCC strategic commissioning framework and commissioning within Directorates is shown in Diagram 4 below:

Diagram 4: Strategic Commissioning Plan:



6.10 Responsibility for developing the Strategic Commissioning Plan and Outcomes framework will rest with the Council’s Policy function, working closely with key stakeholders across KCC.

6.11 The existing strategic statement, Bold Steps for Kent, was due to run until the end of 2014/15 and be replaced for the financial year 2015/16 onwards. However, given the importance of delivering Facing the Challenge we have decided to close Bold Steps for Kent early, so that there is no confusion that delivering Facing the Challenge is the immediate priority for KCC, and develop the revised strategic statement for 2015/16 onwards as part of Phase 2 of Facing the Challenge. To ensure that the Strategic Commissioning Plan is ready for the spring of 2015, we anticipate carrying out a public consultation in autumn 2014.

Developing a commissioning framework

6.12 The purpose of having a council-wide commissioning framework is to ensure that:

- All commissioners are commissioning services to the same high standard, making best use of the tools and resources available
- Commissioners and partners understand how we will be commissioning jointly e.g. with Clinical Commissioning Groups where appropriate
- Providers understand the process that KCC uses to commission services, and understand how they can be involved at each stage
- All providers are held to account in a consistent way, so raising standards and ensuring outcomes are delivered
- The Council is fulfilling its responsibilities of transparency and fairness.

6.13 The development of this framework will be carried out by working closely with a broad range of commissioners, and will build upon recommendations from the

Commissioning Select Committee and the LGA Peer Challenge, as well as making use of sector best practice.

6.14 It is anticipated that the framework will be a short, practical document covering:

- The steps to follow at each stage of the commissioning cycle, including involvement of Members, residents and providers
- What 'good' looks like at each stage including commissioning principles to apply
- Role definitions and who has responsibility for various activities at each stage
- Resources available for commissioners to draw upon from within KCC
- How success will be measured.

6.15 The framework will also provide clear guidance on how to apply the principles and requirements of the Social Value Act to ensure that we are maximising social value from our external expenditure.

6.16 The final element of the framework will be the development of a short commissioning toolkit to be used by commissioners and help them to apply the framework in practice. This is an approach that has been used successfully by several other commissioning authorities and will enable us to develop the skills of our workforce.

6.17 As the commissioning framework will be developed to enable commissioning council-wide, responsibility for its development will rest within the Business Capability Transformation Change Portfolio, who will facilitate the coordination of a broad range of commissioners and other stakeholders.

6.18 A draft commissioning framework will be developed by early autumn 2014 for consideration by Cabinet, with a final version to be agreed by the end of Q2 2014.

Defining and improving our Commissioning Support offer to commissioners

6.19 As highlighted above in section 5, it is vital that commissioners across KCC have a clear understanding of the commissioning support that is available to them, to enable them to commission as effectively as possible.

6.20 To improve our Commissioning Support offer, we will firstly work with commissioners to understand what support will help them to commission effectively. We will also engage with other commissioning authorities further ahead on this journey, to identify what support they have provided to commissioners, or potentially more usefully, what support they realise now would have been useful at an earlier stage.

6.21 As part of this, and as agreed in the Facing the Challenge update in March 2014, an exercise will be carried out to identify all officers across KCC currently involved in commissioning in any way. This will enable us to clarify roles and responsibilities of all officers involved in commissioning, and update our Workforce Development Strategy to reflect the changing skills and behaviours required within the organisation. This will enable us to provide commissioning officers with any necessary training and support, as for many staff they will have previously have been operational service managers and the shift from provision to commissioning is not one that we should expect to be made without any support.

6.22 In parallel we will need to review the Commissioning Support services within KCC at present, to determine if they are fit for purpose, whether the skills and capacity within them is appropriate for our future needs, and identify any changes required to better support commissioners. This may result in changes such as new skills being brought in if they do not exist internally, or a repurposing of existing functions to ensure that they are joined up and provide a high-quality support service to commissioners.

6.23 As the Commissioning Support offer enables all KCC directorates, responsibility for its development will rest within the Business Capability Transformation Change Portfolio, in parallel with the changes being made to other KCC support services.

6.24 Proposals for the Commissioning Support offer will be developed by early autumn 2014 for consideration by Cabinet, with a final version to be agreed by the end of Q2 2014.

7. THE ROLE OF MEMBERS IN A STRATEGIC COMMISSIONING AUTHORITY

7.1 Somewhat naturally, there is significant interest from both elected members and officers in the future role of members in a strategic commissioning authority. Whilst some local authorities have already begun operating strategic commissioning approach, most are at an early stage in defining the member role. It is also important to remember that there are only a few authorities in the country as strongly member-led as KCC.

7.2 As such, whilst the member role in a strategic commissioning authority will undoubtedly develop over time, and we can anticipate some likely changes now, the role of elected members in commissioning in KCC will be stronger than most other local authorities.

7.3 KCC is, and will remain, a strongly member-led authority with members, in both executive and non-executive roles, acting as the strong client responsible for holding commissioners and providers to account for delivery of strategic outcomes. The Members' strong client function will be based on detailed understanding of our customers, agreeing commissioning specifications, overseeing the procurement process, effective contract management and robust monitoring of both commissioners and providers.

7.4 Members have a wide variety of personal and professional experience to bring to commissioning, especially as it places the resident / service user at its heart. Member's local leadership role will be vital in ensuring the needs of their local communities are reflected in the KCCs priorities and commissioning decisions.

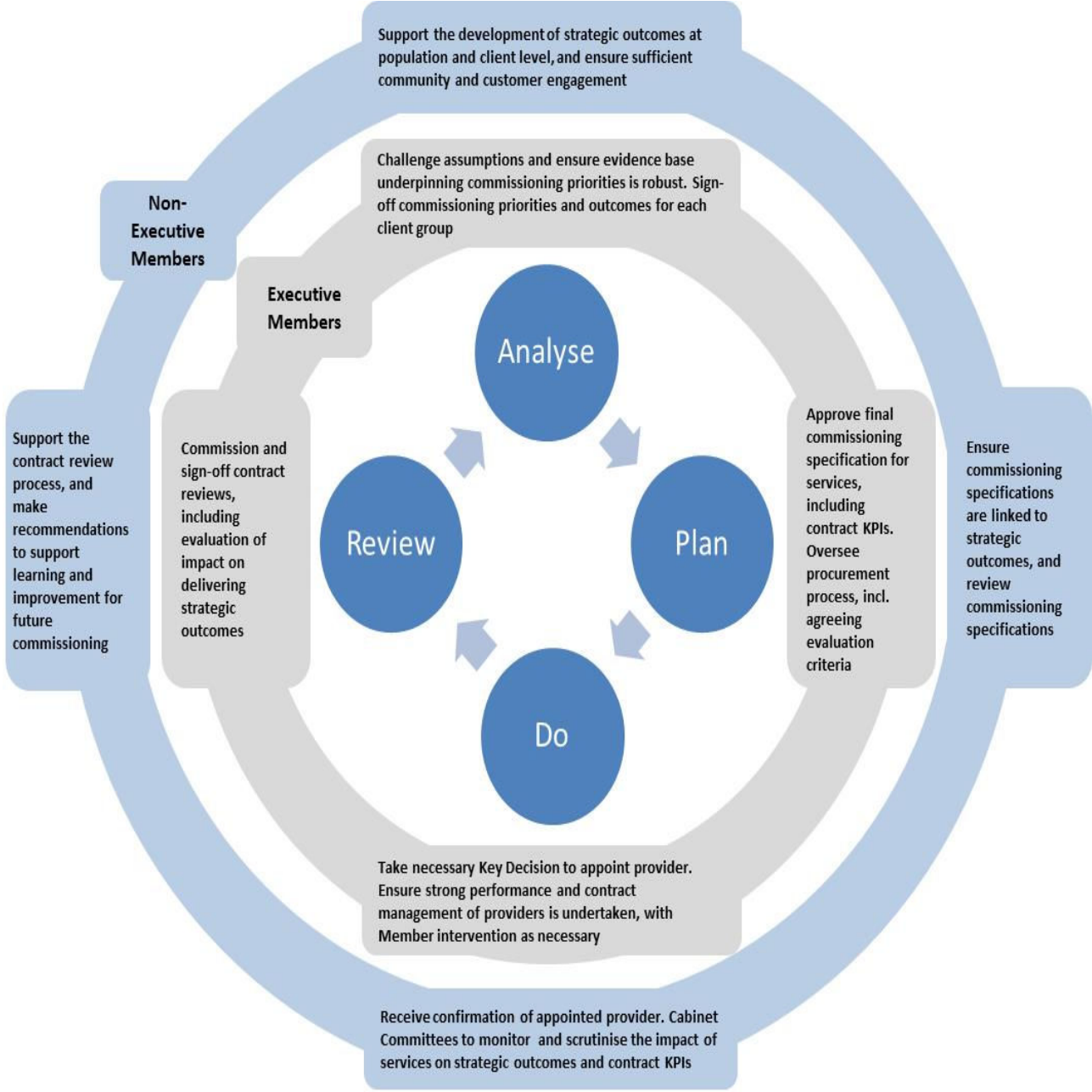
7.5 In many respects the current member role mirrors the issue identified at the beginning of the paper in paragraph 2.5, relating to the need to develop a broader approach and focus across each stage of the commissioning cycle. At the moment, KCC is very strong on the 'plan' and 'do' stage but relatively weaker at the 'analyse' and 'review' stages. This is reflective in the current member role with its strong focus on planning and performance monitoring based on service activity. However, a strategic commissioning authority is focused on the delivery of outcomes rather than services, with services a vehicle to deliver the intended the outcomes identified by members.

7.6 The move to a strategic commissioning model for the authority will further strengthen and reinforce the member role, for both executive and non-executive members. Whilst the role of members as decision-makers will not change, how members discharge their role may change. It will move from direct day-to-day oversight and management of service delivery to managing the delivery of outcomes through the commissioning cycle, through:

- Providing clear and visible political leadership for the authority through acting as the ultimate strong and intelligent client for Kent
- Agreeing the strategic commissioning plan and outcomes framework for the authority, identifying the key outcomes that members want the authority to achieve over the four-year period. These outcomes will become the key priorities for the council
- Working with senior managers to set the strategic direction for the organisation and develop the necessary commissioning, performance, audit and risk frameworks through which they will be able to exercise oversight and assurance
- Using their local knowledge to make sure that the Council responds to local needs, influencing the design of services and helping to monitor delivery against needs
- Ensuring that the service user / resident voice is fully reflected in commissioning specifications/standards
- Providing an essential 'challenge' role in ensuring the quality of the commissioning specifications aligns to strategic priorities, and setting quality and price criteria as appropriate
- Overseeing key procurement exercises to ensure they deliver service requirements at value for money
- Reviewing commissioned services to understand their impact and whether outcomes have been achieved, and consider opportunities for de-commissioning and re-commissioning of services as appropriate
- Engaging with market providers to help maintain effective provider relationships, including with VCS organisations, and where necessary challenging KCC providers on service performance.

7.7 A summary view of the future member role for executive and non-executive members within the commissioning cycle is set out in diagram 5 below (reproduced in larger scale in Appendix 2):

Diagram 5: Summary of executive of non-executive role in the commissioning cycle



7.8 The Member role will change in some respects. The aim of a strategic commissioning model is to focus on the outcomes to be achieved for residents and service users, with less of a focus on processes used to deliver services. We expect members to have less direct involvement in business support and transactional support services, which facilitate commissioning and service delivery, with Members more focussed on the significant commissioning questions around defining outcomes, agreeing commissioning specifications, monitoring performance and reviewing and evaluating commissioned services.

7.9 As the delivery models for many KCC services are likely to change, there will be a need to establish an intelligent client function in-house, which retains key strategic roles within the Council to commission and procure high quality, cost effective

services. A core responsibility of this function will be to act as a point of contact for Members to raise any concerns or issues that surround individual constituents and contracted services, and ensure that providers address these concerns as part of the contract delivery.

7.10 Moreover, depending on the delivery model chosen for specific services, the member role may become very different. For example, where services are provided through a local authority trading company (LATCO) the Council will establish appropriate governance structures in which members will play an important role, for example through representation on the company board. This will support Member's leadership and decision-making role, but do so through a relationship on the basis of KCC being a shareholder rather than managing the business directly.

7.11 Several other authorities have established Commissioning Boards to oversee all strategic commissioning. However, it is important to remember that KCC operating as a strategic commissioning authority must do so within the legislative framework covering local authorities that have adopted Executive arrangements, and that almost all commissioning decisions rest with the Executive. Given this, the pivotal role of providing effective and joined up commissioning leadership across KCC should lie with Cabinet, with responsibility to:

- Act as the 'governing body' for all strategic commissioning activity
- Oversee the development of the Council's Strategic Commissioning Plan to ensure that it reflects the strategic priorities of KCC
- Ensure that the Strategic Commissioning Plan is successfully delivered, in particular by ensuring that there is integration between commissioning, and that the impact of interventions are measured against required outcomes
- Ensure decisions are underpinned by sound analysis and challenge;
- Ensure collective consideration of council wide implications of operational commissioning decisions
- Oversee and ensure the implementation of key commissioning decisions;
- Identify and manage commissioning risks.

7.12 The changing role of both the executive and non-executive member role will require a stronger range of skills across areas such as commissioning, procurement and contract management. KCC has a strong track record in the developing effective and relevant member training and support. Training for members around these skills is in the early stages of being developed in co-ordination with Democratic Services. This will be essential in ensuring Members are equipped for their role within the strategic commissioning authority.

7.13 It is accepted that further work needs to be undertaken around the role of members in a commissioning authority. In many respects, this is uncharted waters, and therefore it is proposed that the cross-party Transformation Board examine the issues and options in more detail, in particular about the non-executive member role at each stage of the commissioning cycle.

8. Next Steps

8.1 The key next steps for taking forward the proposals within this paper include:

- Begin work on development of the Strategic Commissioning Plan, including extensive engagement with Members, in readiness for the Plan to be operational from April 2015
- Develop draft commissioning framework, working with relevant stakeholders across the Council, with a draft framework ready to be taken to Cabinet by autumn 2014
- Ensure the future training programme for Members includes the development of skills for the new role of Members in the commissioning authority
- Transformation Board to consider the role of Members in more detail, with proposals ready for consideration by Cabinet by autumn 2014
- Develop proposals for the Commissioning Support offer (such as how data analysis will be carried out across KCC), to be considered by Cabinet by autumn 2014.

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Appendices:

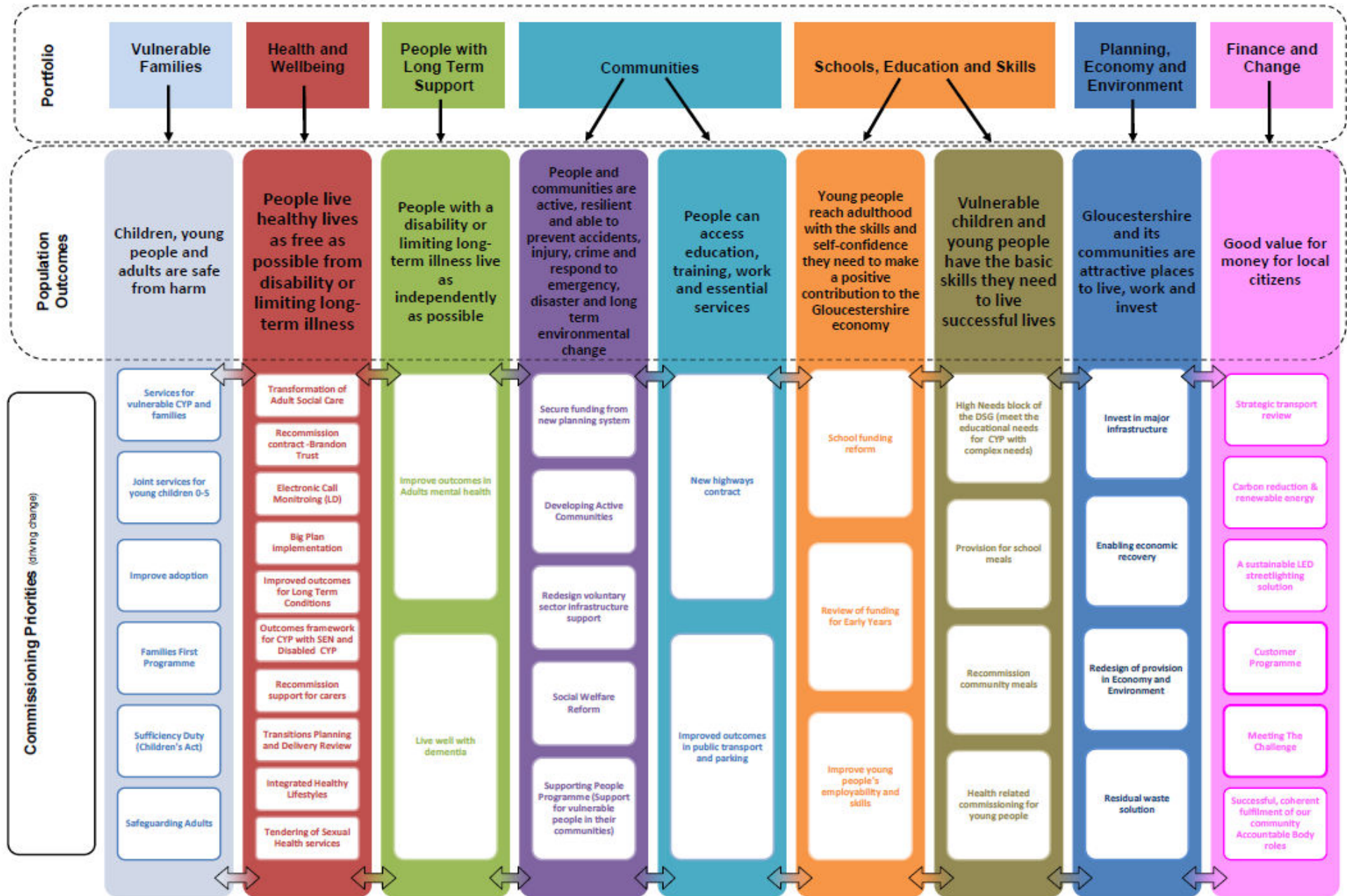
- Overview of Gloucestershire County Council's Strategic Commissioning Plan
- Summary of executive and non-executive role in the commissioning cycle

Background Documents:

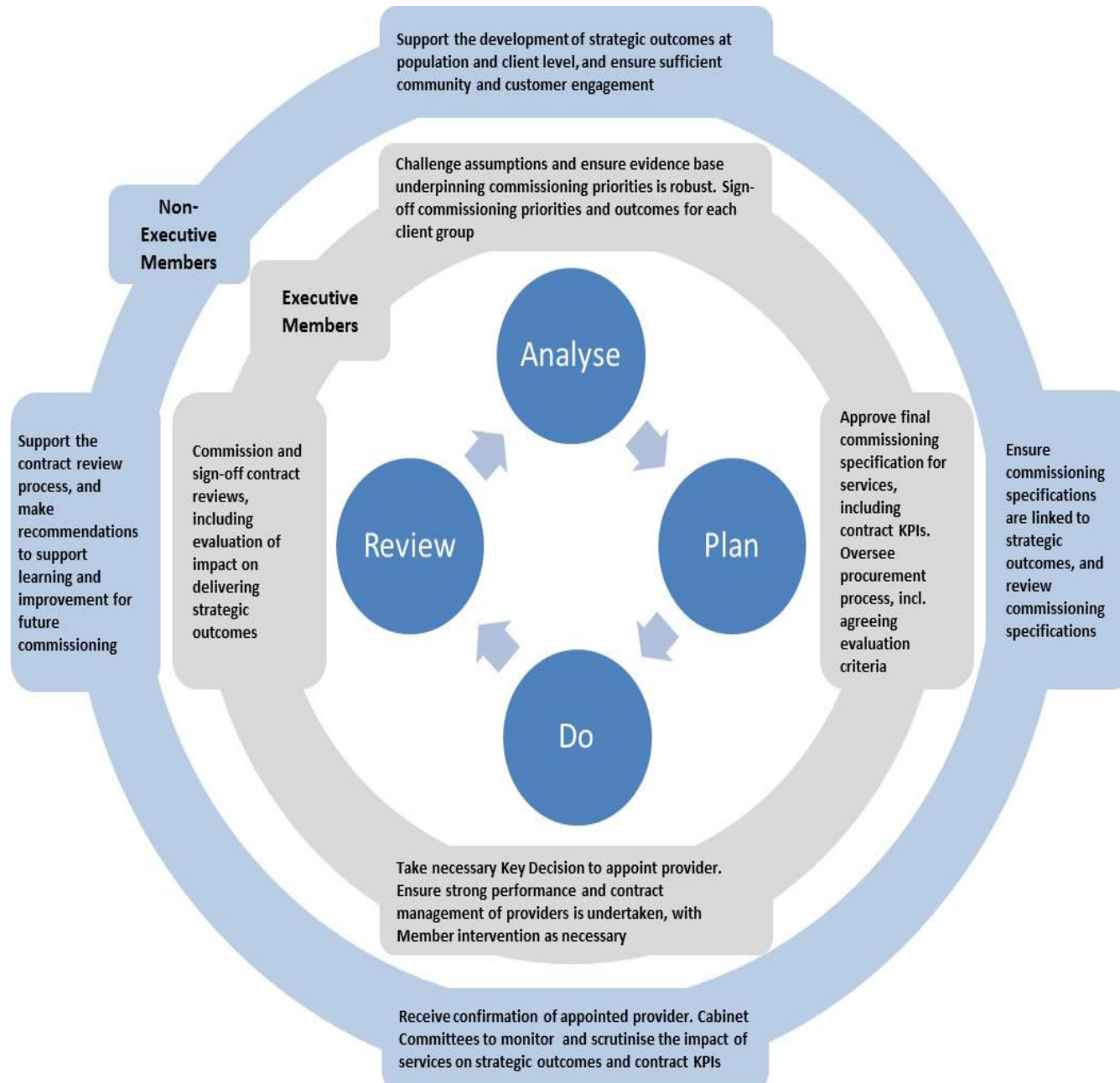
- Facing the Challenge, December 2013
- Findings of the KCC Commissioning Select Committee: "Better Outcomes, Changing Lives, Adding Social Value"

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Strategic Commissioning Plan at a glance - Priorities



Appendix 2: Summary of executive and non-executive role in the commissioning cycle



By: Jenny Whittle – Lead Member Children’s Services
 David Cockburn – Head of Paid Service

To: County Council – 15 May 2014

Subject: Revision to the Joint Accountability Protocol for the Director of Children’s Services and the Lead Member for Children’s Services

Summary: This paper presents the revised Accountability Protocol for the Director of Children’s Services and the Lead Member for Children’s Services which forms part of the Constitution. Changes are required to reflect the statutory guidance issued by the Secretary of State for Education in April 2013, and in response to the new Directorate Structure approved by County Council in December 2013.

Recommendation:

County Council is asked to approve the revised Accountability Protocol for the Director of Children’s Services and Lead Member for Children’s attached as Appendix 1.

For Decision

1. Introduction

1.1 In July 2012, the County Council approved the Joint Accountability Protocol to ensure the fulfilment of the Director of Children’s Services (DCS) and Lead Member for Children’s Services (LMCS) roles under the existing organisational structure.

1.2 The Protocol, which forms part of the Constitution of the County Council, ensures accountability against organisational structure has regard to statutory guidance and is used to provide assurance to the Secretary of State and Ofsted that the Council is meeting its duties with regard to the statutory roles of the DCS and LMCS.

1.3 The latest statutory guidance on the roles and responsibilities of the DCS and LMCS was issued in April 2013 under section 7 of the Local Authority Social Services Act 1970. It requires local authorities to have regard to the guidance unless they can demonstrate good reasons for departing from it. It acknowledges that it is for individual local authorities to determine their organisational structures in the light of local circumstances. Therefore, whilst the Council’s arrangements do not strictly reflect the statutory guidance in not having both a single officer and a single elected member each responsible for both education and children’s social care, there are good reasons for doing so, as set out below.

1.4 KCC has strong and resilient director-level support in place to assist the DCS, with matching Executive-side arrangements for the LMCS. These arrangements have been subject to external review, including Ofsted inspections in 2013 and most

recently through the LGA Corporate Peer Challenge in March 2014, as well as engagement with NHS England.

1.5 The Kent Integrated Children’s Service Board exercises a senior level oversight and leadership role for the Council, with a clear line of accountability for the commissioning and/or provision of services designed to safeguard and promote the welfare of children. The Council can be assured that arrangements are in place to enable the effective discharge of the responsibilities outlined in the statutory guidance in relation to education and children’s social care.

1.6 The Protocol now needs to be updated in the light of the latest statutory guidance and the “Facing the Challenge: Phase 1 update and new directorate structure”, approved by the Council in December 2013. This revision also provides the opportunity to strengthen the Protocol, in light of our distributed model of accountability for Children’s Services, taking account of the lessons learned from its application during the last 18 months. The revised Protocol is attached as **Appendix 1**.

1.7 This report and a presentation (shown in **Appendix 2**) was received by the Selection and Member Services Committee on 25 April which recommended approval by County Council.

2. Changes as a Result of Top Tier Realignment

2.1 The Protocol has been updated throughout to reflect the roles and responsibilities of the Director of Social Care, Health and Wellbeing and the Director of Education and Young Peoples Services within the new organisational structure.

3. Revisions to Strengthen the Protocol

3.1 In order for the DCS and LMCS to gain assurance about any concerns they may have regarding the delivery of those responsibilities allocated to other Corporate Directors or Cabinet Members, the Protocol now includes a time-framed process for escalation (Paragraphs 18-20).

3.2 The Protocol includes a description of the pre-conditions that would prompt referral to the process of escalation (Paragraph 20).

3.3 The Protocol will be reviewed as required to account for any future changes to relevant statutory guidance, and sets out the arrangements for review of its efficacy, which will be reported and managed through the Council’s Annual Governance Statement process (Paragraph 21).

4. Recommendation

That County Council is asked to **approve** the revised Accountability Protocol for the Director of Children’s Services and Lead Member for Children’s attached as Appendix 1.

Contact Officers

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KENT COUNTY COUNCIL

Accountability Protocol for the Director of Children's Services and Lead Member for Children's Services

1. This Protocol is designed to ensure that the Council fulfils the legal requirement to designate both a single officer and a single elected Member, each responsible for both education and children's social care, and meets the accountability requirements as set out in the Statutory Guidance on the Roles and Responsibilities of the Director of Children's Services and the Lead Member for Children's Services (April 2013) – ensuring that between them, the Director of Children's Services and Lead Member for Children's Services provide a clear and unambiguous line of local accountability for improving outcomes for children and young people.

2. The Corporate Director Social Care, Health and Wellbeing is appointed by the Council as its statutory Director of Children's Services (DCS) ; and the Cabinet Member for Specialist Children's Services is designated by the Leader as the Council's statutory Lead Member for Children's Services (LMCS).

3. The range of services that fall across the statutory accountabilities of the DCS and LMCS are managed within the Social Care, Health and Wellbeing Directorate and the Education and Young Peoples Services Directorate and by the respective Cabinet Members for those services.

4. This Protocol ensures that the DCS and the LMCS are able to meet their statutory responsibilities and have an integrated children's services brief, ensuring the safety and the educational, social and emotional needs of children and young people.

5. The DCS and the Corporate Director Education and Young People's Services (CDEY) are both members of the Corporate Management Team and are directly accountable to the Head of Paid Service for the performance of their duties. The CDEY is accountable to the DCS (as the statutory post holder) and is required to provide pro-active assurance and accountability to the DCS for the functions described in Paragraph 10 and the requirements of this Protocol through the mechanism set out in Paragraph 11.

6. At all other times the two corporate directors referred to in this Protocol will be considered as equal colleagues and equal and full members of the Corporate Management Team.

7. The DCS is responsible for

- (a) improving outcomes for children and young people, children's social care functions and local cooperation arrangements for children's services;
- (b) driving the development of the local Joint Strategic Needs Assessment (JSNA) and joint health and wellbeing strategy;
- (c) promoting the interests of children, young people and their families;

- (d) joining up local commissioning plans for clinical and public health services with children's social care and education, where appropriate, to address the identified local needs through JSNA and Joint Health and Wellbeing Strategy;
- (e) making a key contribution to ensuring effective working relationships between the health and wellbeing board and the LSCB;
- (f) any agreements made under section 75 of the National Health Service (NHS) Act 2006 between the council and NHS relating to children and young people, e.g. pooled budgets for commissioning and/or delivering integrated services covering children's health, social care and education;
- (g) ensuring collaboration and dialogue with the family courts so that high quality local authority assessments and other evidence contribute to effective and timely court processes for children;

8. The LMCS is an elected Member with delegated responsibility from the Council, through the Leader, for children's services. The LMCS, as a member of the Council's Executive, has political responsibility for the leadership, strategy and effectiveness of local authority children's services. The LMCS is also democratically accountable to local communities and has a key role in defining the local vision and setting political priorities for children's services within the broader political context of the Council.

9. The LMCS is a Cabinet Member and accountable to the Leader of the County Council for children's services as set out within this Protocol. Other Cabinet Members, who the Leader appoints and carry some responsibilities beyond the LMCS that are relevant to the delivery of this Protocol, are also accountable to the Leader for their responsibilities as set out in Appendix 2 Part 4 of the Constitution of Kent County Council.

10. The DCS and LMCS in their respective roles:

- (a) have a shared responsibility with all officers and members of the local authority to act as effective and caring corporate parents for looked after children, with key roles in improving their educational attainment, providing stable and high quality placements and proper planning for when they leave care;
- (b) ensure that the needs of all children and young people, including the most disadvantaged and vulnerable, and their families and carers, are addressed;
- (c) understand local need and secure provision of services taking account of the benefits of prevention and early intervention and the importance of co-operating with other agencies to offer early help to children, young people and families;
- (d) ensure there are clear and effective arrangements to protect children and young people from harm (including those attending independent schools);
- (e) work together to provide strong, strategic local leadership and development of an increasingly autonomous and diverse education and children's services sector;
- (f) ensure that children's services are integrated across the council to support, for example, a smooth transition from children's to adults' services;
- (g) involve and listen to parents, carers, children and young people;

- (h) have a key role in ensuring that the local voluntary and community sector, charities, social enterprises, the private sector and children and young people themselves are included in the scope of local authority planning, commissioning and delivery of children's services, where appropriate;
- (i) lead, promote and create opportunities for co-operation with local partners (e.g. health, police, schools, housing services, early years, youth justice, probation, higher and further education, and employers) to improve the well-being of children and young people;
- (j) establish local co-operation arrangements to reduce child poverty, prepare and publish a local child poverty needs assessment, and prepare a local child poverty strategy;
- (k) promote children's and young people's participation in public decision-making so they can influence local commissioners;
- (l) ensure that children and young people are involved in the development and delivery of local services;

And through the work of other relevant Cabinet Members, the CDEY and their director-level support:

- (a) ensure that disabled children and those with special educational needs (SEN) can access high quality provision that meets their needs and fund provision for children with statements of SEN;
- (b) ensure arrangements are in place for alternative provision for children outside mainstream education or missing education (e.g. due to permanent exclusion or illness) to receive suitable full-time education;
- (c) ensure there is coherent planning between all agencies providing services for children involved in the youth justice system (including those leaving custody), secure the provision of education for young people in custody and ensure that safeguarding responsibilities are effectively carried out;
- (d) ensure that headteachers, school governors and academy sponsors and principals are supported in the drive for high educational standards for all children and young people;
- (e) ensure provision for suitable home to school transport arrangements;
- (f) ensure a diverse supply of strong schools is actively promoted;
- (g) ensure the promotion of high quality early years provision, and ensure there are sufficient Sure Start children's centre services to meet local need and sufficient childcare for working parents;
- (h) ensure access for young people to sufficient educational and recreational leisure-time activities and facilities for the improvement of their well-being and personal and social development;
- (i) ensure fair access to all schools for every child in accordance with the statutory School Admissions and School Admissions Appeal Codes;
- (j) ensure the promotion of participation in education or training of young people, including securing provision for young people aged 16-19 (or 25 for those with learning difficulties/disabilities);
- (k) ensure rapid and decisive action is taken in relation to poorly performing schools;
- (l) ensure the development of robust school improvement strategies;
- (m) ensure the promotion of high standards in education by the support of effective school-to-school collaboration and the provision of local leadership for tackling issues needing attention which cut across more than one school;

- (n) ensure that maintained schools are supported in delivering an appropriate National Curriculum and early years providers in meeting the requirements of the Early Years Foundation Stage (as outlined in the EYFS Statutory Framework);
- (o) ensure a schools forum is established for the Kent area, a scheme is maintained for financing maintained schools and financial information is provided;
- (p) ensure that responsibilities in relation to staffing and governance of maintained schools are undertaken;
- (q) ensure that the needs of all children and young people, including the most disadvantaged and vulnerable, and their families and carers, are addressed;

11. This Protocol is enacted through regular meetings of a Kent Integrated Children's Services Board, established to ensure strong governance, facilitate and seek pro-active assurance regarding the execution of the duties and accountabilities of the LMCS and the DCS and provide the primary mechanism for raising and remedying concerns or challenges.

12. The Board is not primarily responsible for service delivery, nor is it intended to replace or substitute the active management of services, but it is responsible for the efficacy of all services to children delivered by the Council (and those delivered in partnership as covered by the remit of the role of the DCS and LMCS as described in this Protocol).

13. All Corporate Directors and Cabinet Members shall provide pro-active assurance to the Board of the effective discharge of those responsibilities that fall within the remit of the DCS and LMCS.

14. The timing of meetings is determined by the DCS and LMCS, but should be not less than quarterly. Membership will include, but not be limited to:

- (a) the Leader
- (b) DCS
- (c) LMCS
- (d) CDEY
- (e) Other relevant Cabinet Member(s)(see paragraph 9, above)

15. These meetings:

- (a) provide a regular and formal opportunity for the DCS and LMCS to be proactively assured that their statutory duties are being met by the relevant Cabinet Members, Corporate Directors, Directors and Heads of Service;
- (b) enable the DCS and LMCS to validate, challenge and, as necessary, direct activity to ensure that their statutory duties are being met;
- (c) are minuted and maintained as a formal record of the discharge of this Protocol.

16. Should the DCS identify particular areas of concern or consider that their statutory duties are not being met, this should be raised with the Head of Paid Service within three working days.

17. Should the LMCS identify particular areas of concern or consider that their statutory duties are not being met, this should be raised with the Leader within three working days.

18. The arrangements for review of the efficacy of this protocol are:

- (a) Every six months the DCS and the LMCS will provide the Head of Paid Service and the Leader with assurance that they are satisfied this Protocol is sufficient to discharge their statutory responsibilities;
- (b) The efficacy of this Protocol will be reviewed as part of assurance activity on the overall corporate governance of the Council undertaken on a periodic basis by the Council's internal audit function;
- (c) Any issues or concerns regarding the efficacy of this Protocol will be reported and resolved through the Council's Annual Governance process.

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Kent County Council Children's Services

Accountability Protocol for the Director of
Children's Services and Lead Member for
Children's services

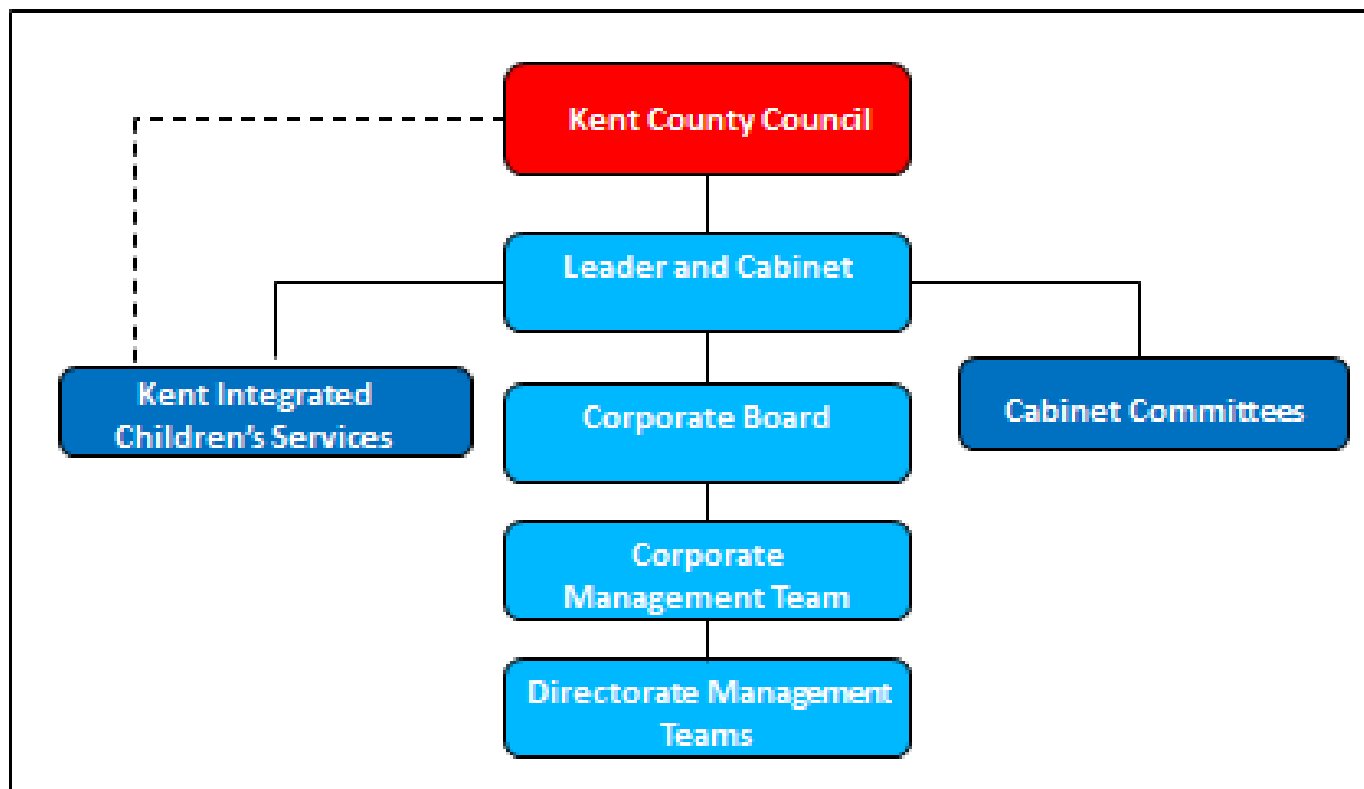
Selection and Member Services Committee
25th April 2014

Accountability Protocol

Background

- Requirements of Section 18 of the Children Act 2004
- County Council Decision, July 2012
- Revised Statutory Guidance April 2013
- Facing the Challenge Phase 1 Restructure
- External Scrutiny

Children's Services Governance Arrangements



Kent Integrated Children's Services Board

- **Remit** - is to ensure strong governance and proactive assurance of the effective discharge of statutory duties and accountabilities
- **Membership** – the Leader of the County Council, Cabinet Member for Specialist Children's Services (the designated Lead Member for Children's Services), Corporate Director for Social Care, Health and Wellbeing (the Statutory Director of Children's Services), Corporate Director for Education and Young People's Services and other relevant Cabinet Members
- **Assurance** – regular and formal meetings, subject to 6 monthly review arrangements, internal audit and the Council's annual governance process

By: Chairman of the Member Remuneration Panel
To: County Council - 15 May 2014
Subject: Members' Allowances Scheme – 2014/15
Status: Unrestricted

Summary: The report recommends a Members' Allowances Scheme for the period 1 June 2014 to 31 May 2015 for adoption by the County Council.

Introduction

1. Under the Local Authorities (Members' Allowances) (England) Regulations 2003, every relevant local authority is required to review its Members' Allowances Scheme at least once every four years and formally adopt a Members' Allowances Scheme each year. In doing so, local authorities are required to establish and maintain a Member Remuneration Panel, whose function is to provide the local authority with advice and recommendations on its Scheme and the amounts to be paid.
2. Local authorities must include in their Members' Allowances Scheme a basic allowance, payable to all Members, and may include provision for the payment of Special Responsibility Allowances (SRAs) and a dependents' carers' allowance. In addition, the 2003 Regulations allow the inclusion of a travel and subsistence allowance and a co-optees' allowance, within the Scheme.

Members' Allowances Scheme - 1 June 2014 to 31 May 2015

3. Attached as an Appendix to this report is the Members' Allowances Scheme recommended by the Member Remuneration Panel for adoption by the County for the period 1 June 2014 to 31 May 2015. The scheme reflects the reductions in the cost of the scheme agreed by the County Council in May 2013 totalling £84,106, together with some changes to the wording relating to the Dependents' Carers' Allowance (shown in bold type), which has also been agreed by the Selection and Member Services Committee.

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| <ol style="list-style-type: none">4. Recommendation: The County Council is recommended to adopt the Members' Allowances Scheme for the period 1 June 2014 to 31 May 2015 as set out in the Appendix to this report. |
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MEMBERS' ALLOWANCES SCHEME

For the period 1 June 2014 to 31 May 2015

BASIC ALLOWANCE - £12,805 per annum (inclusive of an element for routine subsistence expenditure on KCC duties).

SPECIAL RESPONSIBILITY ALLOWANCES

	%	£
Executive		
Leader	100	42,109
Cabinet Members (maximum 9)	65	27,370
Deputy Cabinet Members (maximum 11)	30	12,632
Cabinet Committee Chairman (maximum 6)	17.5	7,367
Council		
Council Chairman	33	13,878
Council Vice-Chairman	17.5	7,367
Planning Applications Committee Chairman	22	9,268
Regulation Committee Chairman	22	9,268
Other Committee Chairmen (a)	17.5	7,367
Scrutiny Committee Chairman	17.5	7,367
Select Committee Chairmen (for period of review)	17.5	7,367
Opposition		
Leader of each Opposition Group (of at least five members)	15	6,316 plus £500 for each additional Group Member

Notes:

- (a) Other Committee Chairmen: Governance & Audit, Health Overview & Scrutiny and Superannuation Fund.
- (b) No Member to receive more than one Special Responsibility Allowance.
- (c) No other allowance to be payable.

TRAVEL EXPENSES

Travel by private vehicles will be reimbursed at the rates set for tax allowance purposes by the Inland Revenue for business travel. Currently, these are 45p per mile for the first 10,000 miles and 25p a mile thereafter.

Parking fees, public transport fares and any hotel expenses will be reimbursed at cost, but only on production of a valid ticket or receipt - the cheapest available fare for the time of travel should normally be purchased.

Taxi fares will only be reimbursed on production of a valid receipt and if use of public transport or the Member's own car is impracticable

Travel expenses will be reimbursed for any journey on council duties between premises as agreed for tax purposes (normally excluding journeys to constituents' homes).

VAT receipts for fuel must always be provided to accompany Members' expense claims and any instructions issued by the Director of Governance and Law in relation to the submission of expense claims complied with.

Air travel and rail travel other than to/from London or within Kent should be booked through officers to enable use of discounting arrangements.

Journeys undertaken in accordance with the following descriptions are allowed to be claimed for:

- (a) attendance at KCC premises to undertake KCC business, including attendance at Council, Cabinet and Committees, etc (including group meetings) and to undertake general Member responsibilities;
- (b) representing KCC at external meetings, including Parish and Town Councils and those of voluntary organisations where the member is there on behalf of KCC;
- (c) attendance at events organised by KCC and/or where invitations have been issued by County Officers or Members (including Chairman's events and other corporate events); and
- (d) attendance at meetings/events where the Member is an official KCC representative (as determined by the Selection and Member Services Committee) or requested by the Leader or the relevant Cabinet Member.

SUBSISTENCE EXPENSES

These are not normally reimbursed. Hotel accommodation should be booked through officers. Any other reasonably unavoidable costs related to overnight stays, excluding normal subsistence, will be reimbursed on production of a receipt.

DEPENDENTS' CARERS' ALLOWANCE

Members **who incur expenses themselves in respect of** care responsibilities for dependent children under 16 or dependent adults certified by a doctor or social worker as needing attendance will be reimbursed, on production of valid receipts, for actual payments to a carer while the Member is on Council duties, up to a maximum of £10 per hour for each dependent child or adult. Money paid to a member of the Members' household will not be reimbursed.

In the case of an allowance for the care of a dependent relative, the relative must reside with the councillor, be dependent on the councillor and require constant care.

PENSIONS

Members are not eligible for admission to the superannuation scheme.

CO-OPTED MEMBERS

An allowance is payable to the Independent Person of £500 per annum plus a daily rate of £100 (pro rata for part of a day). An allowance is paid to the members of the Independent Remuneration Panel of £100 per day.

ELECTION TO FORGO ALLOWANCES

In accordance with Regulation 13 of the Local Authorities (Members' Allowances) (England) Regulations 2003, any Member may elect to forgo all or any part of their entitlement to allowances, by notice in writing to the Head of Democratic Services.

SUBMISSION OF CLAIMS

In accordance with Regulation 14 of the Local Authorities (Members' Allowances) (England) Regulations 2003, the time limit for the submission of claims relating to travel, subsistence, co-optees and dependent carers allowances is four months from the date the expense was incurred.

NO OTHER ALLOWANCES ARE PAYABLE

By: Chairman, Superannuation Fund Committee

To: County Council – 15 May 2014

Subject: Superannuation Fund Update

Classification: Unrestricted

Summary: To provide a summary of key issues relating to the Superannuation Fund.

Recommendation: The County Council are asked to note this report.

For Information

Introduction

1. The Superannuation Fund Committee is responsible for fulfilling KCC's legal responsibilities as the administering authority of the Kent Superannuation Fund.
2. The Fund is responsible for providing pension arrangements for 450 employers in the County including the Medway Council, the twelve District/Borough Councils, non-uniform Police and Fire staff and many other organisations. The Fund has 110,000 individual members. At 31 December 2013 the Fund value was its' highest ever at £4,087m.

Actuarial Valuation

3. Local authority pension funds are subject to a triennial valuation where the actuary, for the Kent Fund Barnett Waddingham, set employer contribution rates. All 89 local authority pension funds are in deficit. The funding level of the Kent Fund at 31 March 2013 was calculated to be 83% an increase of 6% over 2010. We believe this is above average for funds compared with at one time being one of the lowest funded funds in the country and the position relative to other South East County Councils is shown below.

	31 Mar 04 %	31 Mar 07 %	31 Mar 10 %	31 Mar 13 %
Kent	63	73	76	83
East Sussex	84	89	87	81
Essex	71	80	71	80
Hampshire	69	77	72	80
Surrey	68	79	72	72
West Sussex	76	88	86	86

4. Investment returns at 8.5% per annum were in excess of the local authority average and well ahead of the actuary's assumption. The main negative factor is the very low gilt yields which the actuary uses to value the liabilities – low gilt yields means a higher value for liabilities. Increases in gilt yields from their historical lows currently will further improve the funding position.

5. The largest employers in the Fund; KCC, Medway, Police and Fire all saw their employer contribution rates reduce – although not all, including KCC, have reduced the rate they pay. All but one of the District / Borough Councils saw their rates increase, this reflects the much higher proportion of pensioners to active members which they have and the impact of issues like outsourcing on the size of their payroll. Outsourcing reduces the payroll and number active members meaning that the pension deficit increases as a proportion of the total liability.

Investment Returns

6. All investments reflect cyclical patterns but it is pleasing that currently the Fund is in a very strong long term run of investment performance. As at 31 December the investment returns and our comparative position to other local authority funds were:

	% p.a.	Percentile Ranking
1 Year	18.6	10 th
3 Years	8.9	15 th
5 Years	11.7	24 th

7. Despite this strong performance the Committee has made some changes to the investment manager roster in late 2013. The one underperforming global equity manager has been replaced by two new global equity managers and Invesco the highly successful UK equity manager has been terminated due to the departure of the investment manager for KCC.
8. A long standing area of strength for the Committee has been its Property assets which on the latest figures approach £470m. DTZ Investment Management manage a direct portfolio of assets worth £260m including some high performing assets as set out in the Appendix. The restaurant development in Greenwich which the Fund funded as a development is now worth £11.4m, an increase of 56% in the year. DTZ's 10 year return is 8.8% per annum. The Fund has just won the Investment Property Databank Property Investment Award for the highest 3 year annualised return to December 2013 for Segregated Pension Funds between £100m and £350m. Over the last 3 months £90m has been allocated to two Secondary Property funds, the timing of which we hope to be well judged.
9. Given the heavy overweight position in equities (just under £300m) the Fund has just withdrawn £150m which will be held as Cash in the short term.

Legislative Change

10. There is very considerable legislative change impacting on the Fund:
 - (1) New Local Government Pension Scheme – a new Career Average Related Earnings Scheme was introduced nationally from 1 April 2014 with regulations governing the new scheme being received only days before inception.

- (2) Governance Regulations – from 1 April 2015 in-addition to the Superannuation Fund Committee, the Scheme Manager, we will be required to have a Pensions Board. The role is unclear as yet but 50% of the membership will have to be drawn from employees.
- (3) Pensions Regulations – as of 1 April 2015 the remit of the Pensions Regulator will be extended to public pension schemes.
- (4) Call for Evidence – in May 2013 Brandon Lewis MP launched a Call for Evidence on the possible amalgamation of local authority funds. The Kent response robustly stated our continued desire and ability to manage the Kent Fund. On 1 May 2014 the Government published proposals for consultation which does not include the amalgamation of funds. The Superannuation Fund Committee will fully respond to the consultation document.

Recommendation

11. Members are asked to note this report.

Nick Vickers
Head of Financial Services
Ext 4603

Restaurant Development – Greenwich





Retail Outlet Centre - Doncaster



Units Close-Up - Doncaster



Exterior - Durham

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