



AGENDA

SELECT COMMITTEE - COMMISSIONING

Tuesday, 21st January, 2014, at 10.00 am

Ask for: **Denise Fitch**

**Wantsum Room, Sessions House, County Hall,
Maidstone**

Telephone **01622 694269**

Tea/Coffee will be available 15 minutes before the start of the meeting in the meeting room

Membership

Mr M J Angell (Chairman), Mr M Baldock, Mr M A C Balfour, Mr H Birkby, Mr N J D Chard, Mr G Cowan, Mr T Gates, Mr C R Pearman and Mr M J Vye

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

- 1 Declarations of Interests by Members in items on the Agenda for this meeting.
- 2 Questions/themes that the Committee are investigating as agreed in the Terms of Reference (16/12/13) (Pages 3 - 6)
- 3 10.00 am - John Burr, Principal Director of Transformation (KCC) (Pages 7 - 8)
- 4 11.00am - Mark Lobban, Director of Strategic Commissioning (KCC) (Pages 9 - 10)
- 5 12.00 noon - Henry Swan, Head of Procurement (KCC) (Pages 11 - 14)
- 6 Wrap up/key points

EXEMPT ITEMS

(At the time of preparing the agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public)

Peter Sass
Head of Democratic Services
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Monday, 13 January 2014

KCC Commissioning and Procurement Select Committee Themes

The questions/themes that the Committee are investigating as agreed in the Terms of Reference (16/12/13) are:-

What do we (KCC) need to do next 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).

Is KCC using its commissioning processes to ensure it meets its duties under the Social Value Act?

How, in becoming a commissioning authority can the voluntary, community and social enterprise sector (VCSE) play a more important role in the provision of KCC services.

The issues to be explored are

- 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

Themes in detail: This is intended to give a flavour of the issues that the Committee might wish to explore through their Hearings, it is not intended to be prescriptive or relate to a specific witness and is to aid thinking.

a) 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 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 & 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 and 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?

b) 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?

c) 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/Tupe)
- 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/VCS's? What might we do to support large private suppliers and VCS sector working together?
- How is Kent actively shaping and developing the market, what else might we do?
- 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?

d) 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?

e) How can KCC best discharge its responsibilities through the Social Value Act

f) 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?

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From: John Burr, Principal Director of Transformation

To: Select Committee – Commissioning and Procurement -
21st January 2014

Subject: **Transformation Project Work**

Classification: Unrestricted

Below are some of the considerations, some taken from the initial transformation plan and some thoughts based upon our experiences over recent years...

Through phase one of the Facing the Challenge: delivering better outcomes, the objective is to focus upon commissioning outcomes, a key element is market engagement and service review. Through market engagement and meeting external suppliers who are experienced in supplying services to local authorities, there is an opportunity to identify existing service models to new delivery models.

Primary areas of consideration for market engagement are as follows;

- Scale, value, maturity and track record of the market for the service, across all sectors
- Trends and gaps in the market and potential opportunities
- Analysis and potential competition
- Need for market shaping and development
- Invite market innovations

Secondary outcomes from engagement of market providers inform Clients in a number of ways;

- within a commercial context - how could services be provided at reduced cost?
- if services are supplied at lower cost, how do they balance and impact upon customer expectations - what is the opportunity for low cost - better service?
- what is the "cost" and profit elements of the service, and which elements of commercial and service risk could be transferred?
- risk should be the responsibility of the party with highest degree influence control and mitigate most - what is the appetite to undertake risk?
- how can local suppliers be part of the solutions, without add management or pass through costs to the Client?
- is there a local co-operative of SME's, have they taken the initiative to counter frameworks?
- how is continual success measured and incentivised?

There needs to be a sense of realism that outsourcing does not discharge the Authority to deliver against it's 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.

Ultimately, finding the right commercial provider can be driven by process and experience - but relies upon the Client being intelligent. Following outsourcing, how does the Client remain intelligent?

Contact Details

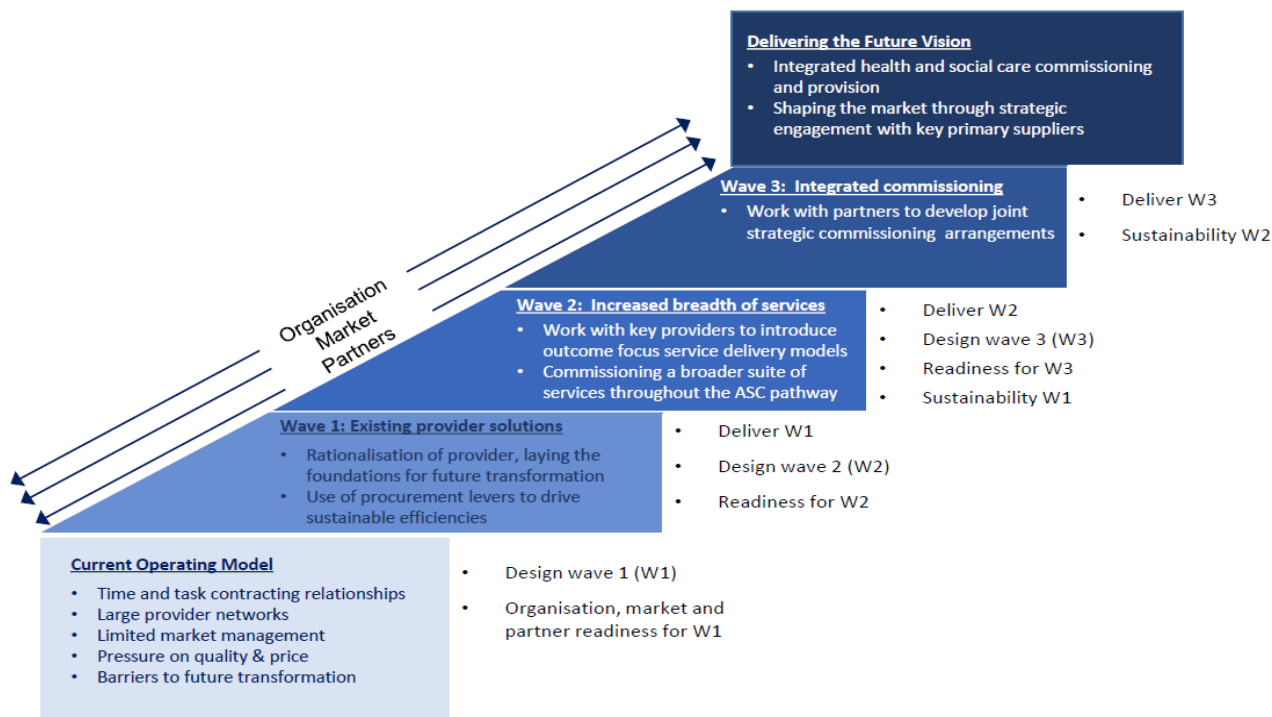
John Burr, Principal Director of Transformation
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From: Mark Lobban, Director of Strategic Commissioning
 To: Select Committee – Commissioning and Procurement - 21st January 2014
 Subject: **Adult Social Care Commissioning and Procurement**
 Classification: Unrestricted

1. Adult Social Care Commissioning – Background

- Approximately £140m is spent on residential care and £43m on domiciliary care.
- 90% of our services are provided by external providers and voluntary sector organisations. Only 10% of provision is provided in house.
- Although we currently contract with 147 domiciliary care providers, 71% is spent with only 20 providers. 30% of the business is supplied by 3 providers.
- The market is consolidating and managing itself with no benefit to KCC or our service users.
- There is no relationship between cost and quality.
- Time and task contracting is driving the wrong behaviours.

2. Adult Social Care Commissioning and Procurement Vision



We will reshape the market to:

- move to an outcome focussed commissioning model;
- establish a model which enables KCC to develop key strategic partnerships with providers who have the resources and desire to improve provision and work effectively with other providers;
- be able to give providers incentivised payments for achieving outcomes;
- get to a position where KCC can commission integrated community support services which enable people to have multiple needs addressed locally through a single route;
- give KCC better visibility and ability to manage provider performance and the quality of provision;
- be able to commission integrated services with health and housing;
- drive a major shift from residential care to extra care housing;
- develop a model which builds and supports a sustainable workforce;

Key challenges:

- the emergence of prime providers and their relationship with other providers;
- voluntary sector relationships with KCC and prime providers;
- developing more innovative and creative services to meet individual service user needs;
- supporting the voluntary sector away from grant funding to more transparent and outcome focused contractual arrangements;
- deciding whether to commission enablement and intermediate care as a specialist service or as a more generic homecare service;
- the future role of care homes.

3. Adult Social Care – Strategic Commissioning Capability

Over the past year Kent has been working with the Institute of Public Care to develop capability within the strategic commissioning unit. This has included the development of a new commissioning operating framework. In addition, adult social care commissioning staff have completed self-assessments to help identify training needs. We have identified 60 staff to undertake the Certificate in Commissioning and Procurement of Public Care and 3 day workshops are being developed to help support other identified training needs and embed the new commissioning framework into everyday use.

4. Background Documents

Blueprint for transformation May 2012

Kent Social Care Commissioning Operating Framework

5. Contact details

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By: Henry Swan, Head of Procurement
To: Commissioning and Procurement Select Committee
Subject: Commissioning and Procurement Topic Review

Summary: Overview of How the Strategic Sourcing and Procurement Team is working to improve Commissioning and Procurement at KCC, with specific reference to supporting Kent organisations.

1. Introduction

KCC commenced radically changing its approach to Commissioning and Procurement in September 2011 with the appointment of a Commissioning Director for Social Care and a Head of Procurement for the Council as a whole.

As Head of Procurement I will focus on Procurement.

Key Aims from Bold Steps for Kent are:

- Deliver value for KCC by reducing cost or improving results for the same cost
- Manage risk through developing clear processes and appropriate governance (not being risk averse but risk aware)
- Help the Kent Economy Grow through helping local business to realise their full potential

Over the last 2 years we have been working to improve procurement to deliver these goals.

2. Terms of Reference Responses

a) to determine what KCC needs to do to become a better commissioning authority.....

By working to support Kent organisations Kent in 2013 spent more than 50% of external spend with Kent based organisations, of this 77% was with SMEs. We also spent more than 10% of our total spend with Kent based third sector organisations.

For all procurements over £50k a procurement plan must be produced which requires the question of how to support Kent Business has been addressed. This includes breaking work into smaller packages, looking at the necessity for financial checks etc.

We have also introduced the Kent Business Portal (www.kentbusinessportal.org.uk), which we use to advertise all opportunities over £50k and some below, we have also allowed all other Kent governmental

organisations to have free access for advertising opportunities and this is currently being used by Medway, Kent Fire, Maidstone and Shepway. We have also been working with the Federation of Small Businesses to get their views on our documentation

- b) to consider if the authority is using its commissioning processes to ensure it meets its duties under the Social Value Act

The current requirement of the Social Value Act is that we consider this when formulating our procurement plan, but we can not use this for evaluation as this is not allowable under European Regulations although this may change in the refresh of the rules which is due this year.

- 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

In developing new service provision we need to engage with the VCS sector to ensure that we are making the most of them, but also that they are providing what we require, there is a belief that in supporting the VCS organisations they will deliver what we require, however we can not assume this and to get best value out of the VCS we need to be clear what we are trying to achieve and that this is translated into what the VCS deliver.

- 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.

As part of Facing the Challenge there is a proposal to review Commissioning and Procurement to ensure we have the correct resources in the correct places and roles and responsibilities are clear.

There is also a requirement for training to bridge the skills gap particularly around contract management.

Working with 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 VCS organisations, however the Council needs to manage its risk so we need clear rules on how we address this.

The key issues that need to be considered are the Council can only contract with one 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.

The other option is that the Council contract with a lead body who then sub-contract to their partners, we have had issues with this in the past where the lead body has decided not to continue working with its partners post tender.

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