

## **Action with Communities in Rural Kent Evidence Paper 2 to Kent County Council Procurement & Commissioning Select Committee, January 2014**

This paper seeks to provide insight on one set of related questions set out in Kent County Council's *Commissioning TOR Summary for Witnesses* paper, and received by Action with Communities in Rural Kent on 16<sup>th</sup> January 2014. Action with Communities in Rural Kent (ACRK) is a rural development charity that has worked with Kent County Council on numerous agendas since 1923.

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

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

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

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

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

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

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

With regard to the large commission that should account for around 30% of ACRK's income during 2013/14, it is worth noting that for delivery of work has been a significant enough success for staff to be invited to a House of Commons reception, in late 2013, to help celebrate service results. The financial management of this success has been a challenge however.

#### *Suggestion*

1. Consider establishing bankrolling facilities or a guarantor function to help enable VCSE organisations to take on contracts with larger private sector companies.

#### *Further information:*

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