

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.

EXECUTIVE SUMMARY



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)

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.