

**Written evidence to the inquiry into Local Government  
Procurement:**

**“It’s about people not process.”**

**Contents**

- i. Who we are**
- ii. Our perspective on procurement**
- iii. Where our experience comes from**
- iv. A summary of our perspective**
- v. Our responses to the specific questions raised**
- vi. How we would improve the situation**

## **i. Who we are**

Revolution Consulting Limited (“Revolution”) has operated exclusively in the arena of local government commissioning and procurement since 2006.

Having gained experience as a supplier of such services prior to the formation of Revolution, we apply commercial knowledge gained over more than twenty years to the sector working from the perspective of both purchaser and provider.

NCERCC?

## **ii. Our perspective on procurement**

The specific focus of Revolution is the area of services for looked after children, including children’s homes, fostering and residential special schools. Public spending by English local authorities on such services is estimated to exceed £6bn per annum.

Our lead consultant in this area is a Fellow of the Institute of Chartered Accountants with a substantial range of commercial experience in several sectors. It is the commercial and financial aspects of procurement for looked after children that are the core of our work, with a particular focus on the interaction of the commercial aspects with the professional childcare and education.

Revolution produces publications on the financial performance of provider sectors, initially under the auspices of the Commissioning Support Programme and more recently on an independent basis. These analyses add weight to our view that commissioning and procurement in the looked after children services sector is sub-optimal both for the young people and for efficiency and further development.

NCERCC?

## **iii. Where our experience comes from**

There are three strands of experience that contribute to our perspective.

We have a wealth of professional financial and commercial experience gained in a wide variety of sectors including Fast Moving Consumer Goods, IT, International Biotechnology, Social Care and Education, and Venture Capital. Several aspects of our work pull upon practice in sectors outside of social care.

We have direct experience gained over 12 years of these types of provision for looked after children, both in a Private Equity backed setting and also in a

smaller privately owned specialist start up setting.

Our lead consultant instigated and chaired the first national trade association for Independent Children's Homes (ICHA).

Since 2006 Revolution has gained further experience through delivery of consultancy and support projects in the sector including:

- 2007-2009 Advising and supporting the start up of the South East Wales Improvement Collaborative and its regional commissioning effort.
- 2013 Advising Department for Education in relation to provider marketplaces and supplier profiles.
- 2007-2012 Advising the Thames Valley group of authorities in the commissioning of a new capacity local children's homes service.
- Various dates. Strategy support, Succession planning and transaction support to providers and their owners.
- 2013. Supporting ICHA in an extensive market-wide price analysis.

#### **iv. A summary of our perspective**

### **“It’s about people not process”**

Our experience, both as consultants to commissioners and procurement professionals, and as providers responding to public tenders for services for looked after children leads us to a perspective that concludes that current activity in the sector is too driven by process and by financial measurements, and insufficiently sensitive to the diverse and complex needs of the cohort of children and young people who should be at the very core of activity.

Local authorities have not maliciously developed this situation, and indeed there are heroic examples of officers making genuine improvements in what has at times historically been a volatile and chaotic environment.

However, the variety of challenges faced are as diverse as life itself, and generic solutions for any defined cohort are often inappropriate for other cohorts, or indeed every individual in the defined group.

In this environment there is also insufficient robust research or independently verified data into how to aggregate needs, and how to treat or to manage cohorts, and what measurable outcomes are achieved.

It is perhaps unsurprising therefore that the one absolute measure that is available has become dominant in decision making, often to the detriment of outcomes and to a wider strategic commissioning view of how markets can be supported and influenced.

That factor is cost, and whilst cost and finance are of course factors that cannot be ignored in times of budget constraints and public sector spending cuts, their sheer measurability allied to a slavish adherence to EU procurement rules are the real drivers of activity in the market.

The complexity and depth of knowledge and experience required to effectively commission services in this sector requires a combination of the very best social work, education, mental health, procurement and commercial skills. If just one factor is too dominant in what has to be a carefully managed mix then inappropriate results with devastating consequences on already vulnerable children can be the result.

Unfortunately it is very rare to find real exemplars of outstanding commissioning and procurement in the sector, and Revolution advocates that the experience and quality of commissioning and procurement, of commissioners and of purchasers needs to be radically improved so that our most vulnerable young people do not get a continuing raw deal.

Most importantly those commissioners need to abandon inappropriate process based approaches and embrace the more complex task of dealing with people instead of process.

We also believe that commissioning needs to be a matrix of local, regional and national efforts, and that much greater knowledge needs to be gained about the provider and supply side of services in order to incubate markets that are attractive to innovative investment as opposed to those which sometimes limp from one crisis to another under successive partial policy changes and dull use of bluntly inappropriate generic procurement approaches.

## **v. Our responses to the specific questions raised**

### ***1. To what extent is local government procurement organised to deliver value for money and social, economic and environmental objectives, including stimulating the local economy? To what extent are local authorities achieving the involvement of local residents in delivering value for money? To what extent are local authorities able to develop long-term relationships with contractors?***

There is undoubtedly a logic that a lot of children taken into care should benefit in staying close to their home and family contacts, to their school and to their friends, and to the professionals from their home local authority.

However, amongst those children will likely be significant numbers with specialist needs (examples include: physical disabilities, learning difficulties, autism, mental health issues), and sometimes a combination of those needs.

Some of the needs, or combinations of need, occur infrequently in any one authority. It is therefore further logical that regional groups of authorities should cooperate in commissioning services for lower incidence needs. Examples of successful regional collaborations are very rare. Where successes are claimed those claims are seldom audited and are usually claimed by those with vested interests in the activities being seen to be successful.

There are reported to be too many placements of many less-complex needs children too far from home, although how many distant placements are appropriate to need and how many are not has not been ascertained with any rigour. However, circumstantially, there would appear to be evidence that local demand and supply in many parts of the country is not appropriately understood or managed by local authorities.

Local residents are only likely to be involved via planning processes for new home or school applications.

In relation to contractor relationships there is a wide spectrum of performance. Many contractors are large regional or national organisations, but there are also many smaller local providers. Whilst local authorities claim progress through provider forum activities, it is difficult to detect many tangible long-term positive relationships. The majority of the markets still operate on variations of spot purchase arrangements and that is one clear indicator of an immature relationship profile.

Where procurement has been used it tends to limit choice by producing preferred provider lists, which only seeks to further the limit the possibility of finding the most appropriate placement option.

***2. Do authorities take sufficient advantage of collaborative and joint procurement opportunities, including those available from central government? In addition, the Committee would welcome information on PFI contracts and their operation with local government.***

Local Authorities will claim to be collaborating with other agencies and with each other and will offer evidence such as regional frameworks, sub regional preferred provider lists, provider forums.

Whilst such activities sometimes offer additional opportunities for dialogue it is rare to find any that can evidence improvement in outcomes for the young people. Some claim improvements in efficiencies via price control and reduction but it is our experience that such claims are not made under any pre-defined measurement criteria and certainly are not subject to independent scrutiny.

Our actual experience in fact found that some of the best procurement we experienced as providers was where an individual professional in the local authority advocated for placements for specialist needs and had to work outside of the framework, working against the structures put in place by commissioners in order to secure the most appropriate placement.

PFI rarely makes an entry to social care settings for children, but there remains potential for larger residential special schools in this area.

**3. How can local authorities access the skills, expertise and capabilities to implement effective procurement strategies, including value for money and social and economic objectives? More specifically, does local government have sufficient understanding of its procurement expenditure and the markets for goods and services to deliver quality procurement strategies—locally and regionally. If not, how can deficiencies be addressed?**

We have already highlighted that the sector suffers from poor results partly because procurement professionals often gain too much influence compared to their professional social work and education colleagues. This is partly a function of finance being the predominant measure and outcomes and quality being much more difficult to evidence and measure. Combined with authorities looking to freeze or reduce spending while numbers of looked after children have increased in the last few years, the result is one where procurement officers from non-childcare backgrounds have enforced inappropriate systems and procedures and have dangerously sidelined their fellow professionals.

This is where our view that the current state of play is one of systems rather than people comes from.

We believe that a transformation in approach is needed. There are clear legal opinions in the public domain that state that EU procurement rules do not have to be applied to social care services. We would go further and advocate that such processes should be outlawed unless they meet certain criteria. Such criteria would include that the process be lead by a team that has expertise in children's social care, education and mental health. That any desired service structure either is already evidenced to be effective for a well-defined cohort or that the service is designed as a research project.

There is at best weak understanding of the provider sector, of its drivers and performance. Local Authorities often talk of market management and yet their approaches to this are difficult to detect. The provider sectors are increasingly dominated by independent sector organizations who have the potential to bring innovation and investment from outside of the public sector, but who are often not engaged in a way that encourages this.



***4. To what extent is risk in local government procurement and contracting understood and managed and contracting strategies adopted, which are tailored to product and supplier market places? More specifically, do local authorities maintain and operate effective client management functions and have they entered contractual arrangements which allow the flexibility to meet changing circumstances such as budget reductions or changes in the way a service has to be delivered?***

The predominance of commissioners and procurement officers has led to voluminous contractual arrangements in the sector, contracts which are developed and debated long and hard and which fail in at least two ways despite appearing in black and white terms to have moved much of the risk to the provider service.

Firstly the contracts tend to fail to focus on research and outcomes measurements, and become too hung up on commercial details. Even where contracts do attempt quality measurement frameworks local authorities do not coordinate with one another to bring about consistency. This leaves providers who deal with multiple authorities (which is what most providers do) dealing with multiple measurement frameworks, sometimes for the same home or foster agency or school.

Having designed monitoring and measurements into contracts local authorities substantially fail to follow these through. This sometimes relates to the volatility in their own professional staffing, with children being left without an allocated social worker, being unknown and un-contacted by virtual head teachers, having no representation at statutory reviews.

Contracts also tend to be too rigid, with authorities increasingly wanting to define in minute detail what they are buying, whereas a good provider working with a volatile and challenging young person with complex needs has to have flexibility to respond in real time.

Once again we return to our theme that the contracts need to be about people not process and strict adherence to general rules. Relationship procurement and contract management is required, which demands higher levels of both technical and interpersonal skills than are prevalent today.

Finally, local authorities have inherent conflicts of interest in that they are often both procurers and providers. This situation completely undermines trust in their propriety.

***5. How is regularity and propriety of procurement secured and are the arrangements for detecting and addressing impropriety and fraud effective?***

Provider services discussed here are almost always regulated and inspected by Ofsted. This gives the local authorities a base to start from in ensuring regularity.

However, most would admit that Ofsted activities depend to some degree on personal judgment, and as such there is potential for disagreement even here.

The weaknesses in contract monitoring by authorities increases the risk of impropriety.

In our work in the financial area we also sometimes find a disjoint between the placement functions and the payment functions within a local authority so that it can be surprisingly difficult to relate actual invoices being settled by the authority to the client and service being received. Budget monitoring can be excellent but we have also seen instances where it is at best tortuous and at worse at risk from over- and under- invoicing.

**6. Is local authority procurement fully transparent, audited effectively and does it provide appropriate mechanisms for redress? Specifically, are the arrangements for securing the accountability of procured services and goods to local authorities and local residents adequate and effective? More specifically, to what extent are local authorities able to provide assurance to central government that value for money (in the broadest sense of the term) is delivered?**

The adherence to EU rules has brought about some transparency, but there is much here that can be improved also.

Tender processes have become increasingly dominated by price over difficult-to-measure quality and outcomes. Even where quality is measured and appears to be the dominant factor the scoring of tender tends to produce much wider scoring divergence on price methodology than on quality. Hence even where price is claimed to be 40% vs quality at 60% of the decision, if a top scoring low price provider can score 30% more than others because of the mathematical approach, and all bidders are within +/-10% of subjective quality measures, then price has still determined the outcome.

There is little or no external scrutiny of the local authority procurement in this area, either during or after the process. Claims made, as mentioned elsewhere, are rarely measured in a transparent way, and virtually never audited.

In total there is very little true accountability to local areas or to central government that value for money is being delivered.

## **vi. How we would improve the situation**

1. Establish a national programme of long-term and whole of life research to establish world-best individual assessment of children's needs, to work out how cohorts can safely be defined, and into which services deliver the best outcomes for those needs.
2. As part of this agree national and consistent frameworks for outcomes measurements approaches at the individual child level and at service and whole authority levels.
3. Develop clear guidelines based on current knowledge and on research as it develops into which services are best commissioned and procured locally, regionally or nationally. Establish bodies with much clearer mandates and tasks at the relevant levels.
4. Give clear instruction from central government that EU procurement rules should not be applied to this sector. Preferred provider arrangements and other types of choice limiting lists should be disbanded immediately.
5. Attract into the sector the best minds suited for the sensitive and complex matrix task of procurement for our most vulnerable and complex young people. Motivate and remunerate them at the highest levels.
6. Develop rules as to the required involvement and powers in all procurement and commissioning of social care, education, health and mental health professionals. Include their required experience and qualifications.
7. Establish independent scrutiny of practice and procurement by a body of our most seasoned and experienced professionals as part of local authority and/or Ofsted regulation and inspection regimes.
8. Move all local authority provision into a separate legal entity and ensure it acts on a level playing field with all other provision.
9. Facilitate sharing of progress and experience via knowledge websites, conferences and professional interactions.
10. Establish knowledge databases about provider landscapes, including performance, ownership, and financial sustainability. Develop national and regional approaches to profiling and projecting future needs and mapping against provision to identify commissioning and decommissioning requirements and strategy.
11. Mandate relationship management styles of procurement in the sector where the needs of each individual child or young person are paramount over all other process and rules.
12. Remember at all times "It's about people not process"