

# The Catalyst

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## Editor's Letter

### Seeking common sense on the 3Cs – commercialisation, commissioning and contract management

Many readers will have been following events at crisis hit Northamptonshire County Council (NCC) with a mixture of fear and trepidation. They may have already been asking themselves if this could happen to our organisation too. Well worryingly the answer is yes. Central government financial settlements have been shrinking and unitary authorities face growing demand for their services driven by a potent mixture of demographic and social factors. Recently, I was contacted by a journalist seeking my view on efforts by NCC to renegotiate contracts let as a part of their annual £300M+ third party spend – you can read my comments by clicking [here](#). Taking out £70M from annual commitments is a very tall order indeed even for the most experienced negotiator. Not least because much of this spend will be accounted for by either adult or children's care providers and compounded by contractors that are finding the margins they are making too small for comfort. Backed into a corner, some contractors will just simply 'hand back the contract' which will only create another set of problems.

Some councils have been keen to follow the commercialisation avenue as a means of bridging financial shortfalls. To many this has simply been an exercise, at best, in making more of existing assets. However, others have resorted to putting up fees and charges. The more adventurous have been getting creative and turning to property investments and creating new trading companies. The former has brought a recent warning from the Communities Secretary, James Brokenshire, about taking too much risk – a view echoed by CIPFA.

Removing third party cost and introducing greater commercialisation (i.e. increasing revenue) are both legitimate and proven ways to help bridge financial gaps. However, both of these approaches must be carefully

planned as they, almost certainly, carry very high risks which must be well understood and managed.

Better specifications and shared contracts can help to reduce third party spend. However, such opportunities are regularly missed, sometimes through lack of planning, but perhaps more often through fear of losing control. In essence, the landscape for engaging with suppliers, providers and markets is still far too fragmented and not fit for purpose. Valiant efforts by the Crown Commercial Services (CCS) and local government consortia, have made some improvements, but sadly not in many of the 'big ticket' areas where creating framework contracts is not the answer. Also, many benefits accrued here are simply lost later due to poor or non-existent contract & relationship management (C&RM).

If managed correctly, commercialisation can offer local councils great potential but it comes with risks that could be almost as catastrophic as those that followed the banking crisis about ten years ago. 'Investing' in anything requires detailed market knowledge, precision timing, realism and a recognition that every success could be overshadowed by as many, or more, failures. Also, while there are some excellent commercial people in local government, most officers did not join the sector to be involved in commercial activity; a fact that commentators too often overlook.

Going back to crisis struck NCC, none of this, sadly, is of immediate value to them. Indeed, the causes of failure there are potentially even more deep-rooted. But there are lessons to be drawn and food for thought here for elected Members and officers alike which need to be understood and addressed. Failure to take such action will mean that what happened at NCC could easily be replicated in 2019, particularly with so much political volatility and indecision in the air.



**Ken Cole, FCIPS**  
Editor

Ken has had a highly successful career in procurement and IT project management spanning 35 years across the public and private sectors. He has been responsible for many high profile initiatives in procurement and commissioning, delivering high profile results and changing management thinking. He is a founder and director of SPS Consultancy Services and enjoys producing whitepapers and public speaking on strategic aspects of procurement.

## Keynote Interview

### Claire Dove, Voluntary Community & Social Enterprise (VCSE) Crown Representative

#### The Civil Society Strategy and the rise of the Social Entrepreneur

In August 2018, HM Government published its [Civil Society Strategy](#) which in very broad terms, set out its plans for enhancing the role of social value in closing the gaps that exist in society which are not being directly addressed by either public or private sector activity. This would have been labelled as the 'third' or 'voluntary' sector until recently, but this is a generalisation that fails to recognise the changes and complexities in the way we live, work and interact with each other. Social enterprises and some local authority owned companies which have developed across the UK do not readily fit this label. Hence civil society refers to activity rather than organisation type and is defined in the Strategy as "all individuals and organisations undertaking activities with the primary purpose of delivering social value, independent of state control".

My initial concern when reading the Strategy was while it was clearly going to get a strong reaction in central government, given its cross-departmental ownership and extensive Ministerial backing, many in local government would see it as yet another thing to add to their overloaded agendas. In other words, it would quietly be overtaken by other policy initiatives by the end of 2019.

Such concerns were banished within minutes as I sat down to interview Claire Dove the VCSE Crown Representative. "I am about making social value something that people understand and want to

put into action for the benefit of communities across the UK. Until recently, it was almost an afterthought for many commissioners, but now it is getting some teeth", she tells me. "David Lidington (Minister for Cabinet Office) has already made two announcements announcing that the 2013 Act will be strengthened and that central government departments will be required to explicitly evaluate the social value that will be derived from their procurement activities, rather than simply 'consider' it as is currently the case. He wants to see more small businesses, mutuals, charities, co-operatives and social enterprises bidding for government business," she adds.

A small part of me thinks I have heard many politicians aspire to this worthy goal. Perhaps Claire has read my sceptical thoughts as she uses the term 'social entrepreneur' for the first time, and one that she will repeat a few times during the rest of the interview. She explains, "Yes, part of the solution is changing attitudes by re-writing the procurement rules, but the most important aspect is helping the range of organisations that fill the civil society space innovate, work together and engage with government and the profit making private sector to create additional value through their economic activities". In other words, creation of new wealth that goes back to communities rather than through shareholder dividends.

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As VCSE Representative, Claire acts as an intermediary between government and the voluntary sector to champion the Social Value Act and an improvement in commissioning practices.

Claire was appointed as VCSE Crown Representative in February 2018. As a key player in the social enterprise movement for over 30 years she brings a wealth of experience to the role.

Claire has led the award-winning Blackburne House since its inception. From December 2007 to January 2017 Claire was Chair of Social Enterprise UK (SEUK). She is a member of the Alder Hey Hospital Trust and, until recently, was a Board Member for the Charity Commission.

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Claire is keen to tell me about the many good examples of social value that are to be found in English local government such as Greenwich Leisure Ltd which generates nearly £300M of revenue each year and Hackney Community Transport both of which target their profits back into disadvantaged communities. There are also good examples of social value in action in both Liverpool and Greater Manchester where it is being created through significant housing development and building programmes. In the latter, social value accounts for 20% of the evaluation score.

I ask about how civil society sits with the commercialisation agenda in local government. Are they in conflict or do they complement one another? “They are both about creating new value and being smarter with finite resources. For this to happen commissioners and providers need to be joined up in their thinking and how they deliver benefits. Using local businesses in supply chains and thinking about the role of voluntary sector and social enterprises in service delivery all helps to create wealth for local communities. Many larger companies are now working along these lines rather than simply making general statements about corporate and social responsibility (CSR)”. It is abundantly clear that we can do a lot more in the way we shape our specifications, which will not only encourage this thinking but also mean that it is delivered at equal or less cost. Claire is like many of us in that she believes money spent locally can have significant ‘multiplier’ effects on the local economy.

Micro-enterprises have fewer than 10 people and generally specialise in providing goods or services for their local areas. There are over 5.1 million working in such businesses. We talk about the growth in the number of micro-enterprises as people seek greater economic

freedom and flexibility. Claire believes that these fundamental changes in working practices and expectations are contributing to the growth in the civil society. “People no longer expect jobs for life, they career diversify, take sabbaticals and volunteer locally”, she points out. “All of these changes create new opportunities and resources for putting back into communities”.

My time with Claire is rapidly ticking away. What message would you give to local government commissioners and procurement staff if you could address them all now, I ask candidly. She replies immediately, “best value is not just measured in terms of cost and quality. It is also about the means of delivery and execution of outcomes and whether it is possible to capture even more value for local communities in the council that you represent”. In other words, think and enact social value within your evaluation criteria and method statements.

As we conclude, any reservations that I had at the start have been well and truly addressed. If anyone can make this strategy come to life, it will be Claire. Her passion, knowledge and clarity make her a first class ambassador for championing the civil society.

Claire can be contacted at via [The Catalyst](#),

“Best value is not just measured in terms of cost and quality. It is also about the means of delivery and execution of outcomes and whether it is possible to capture even more value for local communities.”

### The Catalyst and GDPR

We take the **General Data Protection Regulations (GDPR)** seriously and will ensure that we handle your data in line with your wishes. We keep our policies and procedures under continuous review to ensure that we comply with all regulations.

We confirm that:

1. SPS only holds email addresses from people that have consented to receive updates from us. No other personal information is held on any reader.
2. All our files and records are stored on secure servers and are never accessible to any third party.
3. We will never pass on any names, email addresses or other information to any third party without your written consent.

If you have any questions or wish to **unsubscribe** please do contact us at [catalyst@sps-consultancy.co.uk](mailto:catalyst@sps-consultancy.co.uk).

## Stick a pin in them and they bleed!

### Mike Fogg FCIPS, former CIPS lecturer, takes an amusing look at Relationship Management

A group of Procurement Managers were attending a strategy workshop and the issue of working with suppliers came up. The tutor asked everyone, “How many of you deal with Suppliers?” The expressions on the faces of the delegates showed that they thought that this was not the most difficult question they were going to be asked in the day and they all put their hands up.

The tutor then said “No you don’t, none of you deal with suppliers”. There then followed what can only be described as a pregnant pause, which the tutor then filled with, “you deal with people who work for suppliers”. Somebody muttered “trick question” and the faces of one or two others showed that the penny had dropped.

It is true that two or more organisations make a contract and therefore deal with each other. However, it is germane to the success of that contract that the people in both organisations work effectively together. ‘Working effectively’ does not mean seeing every person representing every supplying organisation as a ‘partner’ on the one hand or seeing them all as something to be crushed under the heel of your shoe on the other.

A key factor in determining the relationship you need with people from suppliers, is the importance of what they supply to your organisation. Can you still meet your business objectives if they can’t supply to you next week? This is the ‘stop the job’ dimension.

There is also a power balance between the parties and also the people involved. You may be able to influence that balance and the tenor of the relationship in a number of ways. Equally, in some cases, you may not be able to do much about it. You can also consider the relative interest and

power of the people and organisations throughout the procurement cycle.

Consider each of the following aspects in the relationship with the people working for suppliers whom you deal with:

**Trust.** “I wouldn’t trust him further than I could throw him”, said the macho buyer of a supposed supplier partner. The degree of trust will need to vary directly in ascending proportion to the importance of the goods and services the supplying organisation provides. But how much can people from suppliers trust us?

**Openness.** Do we share our business strategy with people from key organisations? How can we expect the best from them if they don’t know where we are going? Do we know their development roadmap?

**Commitment.** With more competitive (even adversarial) arrangements the commitment of both buyer and seller can be to get a good deal for them, no more. There does come a stage however where the relationship between the people and their organisations is more important than any one deal or issue between them.

**Duration.** How often do procurement organisations re-bid work when they are perfectly happy with the goods and service provided by a supplying organisation? It’s our policy, they say. Is it not, in some cases, just a relatively time consuming and costly exercise which brings little benefit. Will people working for suppliers not hold back enhancements they could have introduced this year if they know that they are going to be re-bid next year?

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**Systems and technology.** How hard do we work to drive out waste in our systems? Are process steps duplicated across the relationship?

**People interaction.** Who interacts with whom, how frequently and on what agenda? Sometimes buyers feel that sellers have 'the run of the place', and buyers are only brought in to face a done deal. Equally, there are occasions when sellers can't reach people at an appropriate level. There must be a balance and a level of interaction relating to the importance of the relationship.

**Risk assessment.** How do people in both organisations assess risk? What if the demand goes down or ceases, how will this impact the seller as an individual and the selling organisation as a whole? Are there many other alternative customers in the market? For the buyer the question can revolve around the 'stop the job' dimension discussed earlier.

**Risk management.** Do the organisations do this separately or together? To what extent is each aware of the risks faced by the other and how is information shared to mitigate those risks?

So then, lots to consider, but who said Procurement was easy?

A good start is to see the people working for your suppliers as human beings! If you stick a pin in them they bleed! (NB this is not recommended good practice). Consider them, consider their objectives and consider how going toward meeting their objectives when you know them might help meet your own objectives.

**Mike is a Fellow of CIPS, founder and former Chairman of the CIPS ICT Committee and recently retired from PMMS Consulting. He can be contacted via [The Catalyst](#).**

## Army recruitment contract – why is it going wrong?

Many readers will have seen that the army's £495M recruitment contract run by Capita is being heavily criticised by the National Audit Office (see [here](#)). The mention of the word Capita usually stops many from going any further as that company does not have a particularly good track record in this area. However, this could turn out to be a good case study on why contracts go wrong as it looks as though the Army was equally to blame for the ongoing failure. Key facts that have started to emerge include:

- ▶ The client did not provide Capita with the IT infrastructure to run the online system as agreed; instead it expected the contractor to sort it out
- ▶ The online system was overly complicated and arrived four years late at a cost of £113M (four times over budget)
- ▶ The online system meant that it took 321 days from start to finish which meant that 47% of possible recruits dropped out
- ▶ No one has a clue if the £267M savings expected to materialise over 10 years will ever happen

For its part, Capita should be wise to taking on big outsourcing contracts now, particularly after its other failures. Specifications are often ill-thought out with risk and anticipated problems being 'thrown over the fence' for the contractor to sort out. Like so many contracts in all sectors, they are designed to fail and, as such, are not fit for purpose. This is not a claim that outsourcing is necessarily bad but that it is either being done without proper preparation or that there is no subsequent contract management in place. In this case Capita is likely to be no more than the 'fall guy'.

The Catalyst would like to thank **Christine Barnicoat** for her continued editorial support. Christine is a copywriter and editor for both public and private sectors. Her background includes editorship of GC Forum, the OGC's online magazine and its predecessor, GP Forum. She was editorial consultant for the Public Sector Benchmarking Service, a joint venture between the Cabinet Office and HMRC. She has contributed to Government Opportunities, The Private Finance Initiative Journal, Overview and WiredGov. Christine was a civil servant for 30 years in overseas development, environment and HM Treasury's Central Unit on Procurement. She is a member of the Chartered Institute of Purchasing and Supply. Christine can be contacted through The Catalyst.

*The Catalyst* would also like to thank **Wendy Timoney** for proof reading this and previous editions.

## Reports, Publications and Reader News

**We are keen to promote new documents and publications of potential value to readers and to share your success stories.**

### Government Waste Strategy published

Better late than never, the Government's waste strategy has been published nearly one year late. You could easily be forgiven for missing it under the constant barrage of Brexit stories in the news media.

Many readers, particularly those with an interest in the environment and resource conservation, will welcome it. However, reading through the 146 pages one can see the potential storm clouds ahead for councils and the waste industry. If it is to be successful it is going to require:

- A huge change in social attitudes, behaviours and associated expectations amongst the population
- Significant new investment both in the recycling industry and in waste collection / disposal services

Also it is going to:

- Put strain on the many existing outsourced contracts which will be rendered obsolete in some cases and require renegotiation
- Create major problems for in-house operators that will struggle to get the resources and knowhow to implement the new policies

This strategy deserves to work, but if it is to be successful, it certainly will require a proper impact assessment so that all those involved can assess what matters, the resource and change implications, and the realism, or otherwise, of the policies set out. Whitehall policy-making and practical implementation is rarely a smooth, trouble free, process.

### EELGA Masterclass hits new heights

The annual [EELGA](#) Commissioning and Procurement Masterclass was held just outside Cambridge at the Wellcome Genome Campus on 19th October. It proved to be a runaway success with over 80 representatives from about 70% of the region's local councils. Speakers included Paul Uppal (Small Business Commissioner), Rowan Conway and Ian Burbidge from the RSA and Terry Gittins from Luton Airport. The agenda was thought provoking and the quality of debate was high, so much so that even by mid-afternoon most representatives were still present. Copies of the presentations can be found [here](#).



### Prod Sarigianis's alternative celebrations

Prod Sarigianis is Head of the Brent – Southwark – Lewisham ICT Shared Service. He is known to many readers for his leading role in the first major ICT e-auctions across 10 years which saved participating London boroughs £millions on their desktop hardware and tablets. After 24 years and 3 months at Brent Council, he has finally decided to move on. Prod is marking the occasion with something different to the traditional party. He is running the Edinburgh marathon and raising money for Yarrow, a charity that helps people with learning disabilities, enhancing their quality of life and strengthening their independence. He said, "As a member of their board over the last 18 months I have witnessed some of the fantastic work they are doing. Since this is all for charity, I am reaching out to all my work contacts for help".

All donations to this great cause are much appreciated as Prod has set himself an incredibly high target of £5,000. Please click [here](#) if you are able to support Prod with this excellent effort:.

### Congratulations to Jane Mitchell MCIPS

Many congratulations to Jane at Brentwood Borough Council who decided to study for her CIPS later on in her career through a combination of classes and distance learning. Her hard work has paid off and she was awarded her MCIPS a few weeks ago. Catalyst Editor, Ken Cole, said, "It is great to see someone with so much practical experience and knowledge formalising it into a professional qualification. Jane has so much to offer not just on procurement but across the whole commercial cycle and it is good to see Brentwood recognising this potential."

## SPS News

### A fresh perspective

#### NEW - Online Contracts Register Service launched

We are pleased to announce the launch of a new contracts register service specifically aimed at organisations that want to;

- fast track contract data collection rather than fiddling around with spreadsheets.
- allow departments to keep contract information up to date.
- ensure that information is accessible to all authorised personnel.

A copy of the collateral can be downloaded [here](#).

Cost can be as low as £2k per annum to share standard information across multiple organisations with no limit on the number of users.

This new CRS is launched in partnership with [New Information Paradigms](#) (NIP), developers of the original multiple authority registers used by the PAE in 2004 and then in London from 2005. At its peak, 32 out of 33 London Boroughs were using the CRS with over £6 Billion of records stored.

Ken Cole said, “this is not a software solution and it is not in competition with the conventional solutions providers. It is designed for organisations that see a common register as a means to an end and who want to get on with what matters – implementing a sound contract & relationship management strategy. Too often we find clients still struggling to locate contracts and share basic information which prevents them from making real progress. This is a cost effective solution which is designed and underpinned by good practice and free set-up resources”.

The CRS can be presented remotely or at a face to face meeting. For more information or to set up a viewing, contact [info@sps-consultancy.co.uk](mailto:info@sps-consultancy.co.uk).

#### Recent Publications from SPS

[Setting up and managing a Contracts Register](#) targeted at district councils, housing associations and charities

[Understanding and interpreting your commissioning and procurement expenditure – A toolkit for district councils](#) shows how to do it quickly and accurately by relying on in-house capability, often with equal or even better results than using a third party solution.

[Implementing ProClass – Guidance for local authorities](#) sets out how ProClass can be utilised to provide accurate reporting on all aspects of procurement including individual contracts.



#### NEW - NPS 2018 Multi-User Diagnostic

Many readers will be aware that the LGA diagnostic supporting the National Procurement Strategy (NPS) for local Government ran for nearly two months and closed just before Christmas. At the time of writing, results and outcomes were still being compiled. However, several local authorities have commented that the scope covered by the NPS and the resultant diagnostic restricted them in their ability to consult colleagues responsible for some of the policy areas and did not allow them to reflect the widespread outcome differences across many councils. As an illustration, a 3 marking for a given value code often masked the fact that in some departments 4 was the norm while in others it may have been 1 or 2.

We are now able to offer a single authority diagnostic for up to 25 people for £2,850 plus VAT. More information is available [here](#), or you can contact [info@sps-consultancy.co.uk](mailto:info@sps-consultancy.co.uk).



#### LGA publish South Kesteven Commercial Contracting Case Study

The LGA has recently published a case study setting out the outcomes of the commercial contracting challenge that SPS undertook last spring. You can download your copy [here](#).



## The Role of the VCSE Crown Representative

Appointed as VCSE Crown Representative in February 2018, Claire Dove acts as an intermediary between government and the voluntary sector to champion the Social Value Act and an improvement in commissioning practices.

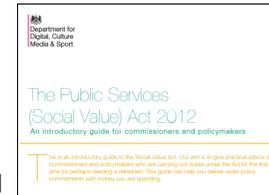
Work in her role as VCSE Crown Representative includes:

- ▶ Enabling a thriving voluntary, community and social enterprise sector
- ▶ Working with industry and sector experts to identify and reduce barriers to VCSE participation in public service markets - including those small and medium sized
- ▶ Raising awareness of and improving use of the Social Value Act in central government and the wider public sector (this includes central government departments explicitly evaluating social value in procurements and applying the terms of the Act to goods and works)

“ It’s an honour to take on this role. Millions of people benefit from the work that charities and social enterprises do and I cannot wait to get started to ensure this sector continues to go from strength to strength. ”

Claire Dove  
VCSE Crown Representative  
February 2018

The Department for Digital, Culture, Media & Sport, and the Crown Commercial Service have created an Introductory guide to the Social Value Act for commissioners and policymakers. In [this guide](#), you will find a plain English explanation of the Social Value Act and advice on how to include social value in your specification for services.



Other useful services include:

### Contracts finder:

This is the government's single online portal where contracts valued above £10,000 in central government and above £25,000 in local government are listed. It's free to register and you can search for previous examples of commissioning for social value:

<https://www.contractsfinder.service.gov.uk/Search>

### Public Procurement Review Service:

Government is continually improving their procurement process. You can help by anonymously reporting any issues you find to our free Public Procurement Review Service, formerly know as "Mystery Shopper": [www.gov.uk/government/publications/public-procurement-review-service-scope-and-remit](http://www.gov.uk/government/publications/public-procurement-review-service-scope-and-remit)

## Back Page Briefing

Here we summarise topical reports, products and services that are likely to be of interest to procurement and commissioning staff. The appearance of any item or product in this briefing does not signify approval or endorsement by *The Catalyst* or its publisher SPS Consultancy Services Ltd.

If there are any products or developments that you would like to nominate please email the details to:

[catalyst@sps-consultancy.co.uk](mailto:catalyst@sps-consultancy.co.uk)

Read Claire's latest blog [here](#) and follow her on Twitter (@VCSECrownRep) for all the latest updates on her work.