



**Briefing 11-02      January 2011**

## **APSE response to the Green Paper, Cabinet Office: 'Modernising Commissioning: Increasing the role of charities, social enterprises, mutuals and cooperatives in public service delivery'**

To APSE main contacts throughout England and to Wales, Scotland and Northern Ireland for information

### **Key issues**

- The Cabinet Office has recently issued a Green Paper 'Modernising Commissioning: Increasing the role of charities, social enterprise, mutuals and cooperatives in public service delivery'
- This briefing contains the APSE response to the Green Paper including suggesting that the approach should be to consider greater collaboration rather than a procurement route.
- The response also references the use of community benefits in procurement and the role of directly delivered services in securing better social, economic and environmental outcomes.

### **Introduction**

The Cabinet Office Green Paper *'Modernising Commissioning: increasing the role of charities, social enterprise, mutuals and cooperatives in public service delivery'* set out a series of arguments as to the benefit of including third sector organisations in public service delivery. However the paper focused on the means to involve the third sector through procurement and commissioning of services.

APSE has always been careful to distinguish the different roles of commissioning practices, which explore what ought to be delivered, and procurement which should only be considered once a 'make or buy' decision has been reached. Therefore APSE's response centred on how local councils can support not only the third sector but local small to medium enterprises, in its commissioning strategies and procurement approaches. In addition APSE highlighted the role of local authority services in enhancing the social, economical and environment outcomes and the value of the input of local elected members in determining outcomes for local communities.

This briefing replicates the APSE response to the Green Paper which is attached and we would welcome any further comments from our members. Please feel free to email Mo Baines on [mbaines@apse.org.uk](mailto:mbaines@apse.org.uk).

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## **APSE response to the Green Paper, Cabinet Office**

### **'Modernising Commissioning: Increasing the role of charities, social enterprises, mutual's and cooperatives in public service delivery'**

I write on behalf of APSE (Association for Public Service Excellence) in response to your Commissioning Green Paper '*Increasing the role of charities, social enterprises, mutuals and cooperatives in public service delivery*'.

#### **About APSE**

APSE is the Association for Public Service Excellence and is a not for profit local government body working with over 300 councils throughout the UK. The Association has existed for over 25 years and is a highly regarded organisation, recognised for its comprehensive policy and technical knowledge on frontline local government services. Promoting excellence in public services, APSE hosts networks for frontline service providers in areas such as waste and refuse collection, street cleansing, parks and environmental services, highways and street lighting, leisure and sports facilities, school meals, building cleaning, housing and building maintenance services.

APSE believes that whether services are delivered directly, or through other forms of provision, they should be subject to the maximum form of democratic control and scrutiny. The Association supports the involvement of the widest number of councillors in decisions which impact upon the quality and range of services provided to the public and supports transparency in public service delivery and performance information.

#### **Our response**

The Green Paper specifically raises the following questions:

1. In which public service areas could Government create new opportunities for civil society organisations to deliver?
2. How could Government make existing public service markets more accessible to civil society organisations?
3. How could commissioners use assessments of full social, environmental and economic value to inform their commissioning decisions?
4. How could civil society organisations support greater citizen and community involvement in all stages of commissioning?

In response to these questions APSE would like to draw attention to our recent research publications in two key areas. One area, which measured the economic footprint of public services<sup>1</sup> and the second area, which explored the use of Community Benefits in procurement<sup>2</sup>. We have concentrated our response therefore on the third question, but

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<sup>1</sup> Creating resilient local economies; exploring the economic footprint of public services

<sup>2</sup> More bang for the public buck: achieving community benefits in procurement

we have in response to the other three key questions made some general comments below.

***'How could commissioners use assessments of full social, environmental and economic value to inform their commissioning decisions?'***

Local authority commissioning needs a much more intelligent strategy to ensure that money spent on local services produces 'more bang for the public buck'. In a study of Swindon Commercial Services using various on the LM3 economic multiplier APSE found that for every £1 spent a further 64p is circulated in the local economy. Further research by APSE also found that the value of the public pound could be further enhanced by some simple adjustments to commissioning and procurement decisions, to enhance local economic, social and environmental well being: Examples of this include:-

- Utilisation of local supply chains to minimise the carbon footprint of goods procured but to also ensure support to local small to medium enterprises:
- Local council direct service or direct labour organisations supporting apprenticeships and tackling worklessness issues and skills
- Commissioning and procurement strategies integrating environmental objectives into service delivery outcomes. For example integration of waste to energy objectives into local refuse collection services

Many of these examples of best practice have arisen not just through those services procured from outside of the local authority but have formed a core part of the business objectives of those services delivered directly by the local authority. In particular, in areas where elected members have been involved in the planning of service delivery objectives, those services have not only enjoyed a high degree of democratic support and governance but have been driven by high quality local leadership. It is our view that third sector organisations tend to flourish in an environment of collaboration with the local authority rather than in an environment purely dictated by markets and competition.

There are many examples of thriving third sector organisations that have benefitted from collaborative arrangements through for instance, the sharing of assets and vehicles, access to management support and capacity and grant funding. It is APSE's view that Government ought to recognise the valuable contribution of those public services directly delivered which already enjoy:

- Democratic control and local high quality leadership
- Ability to integrate economic, social and environmental outcomes in service delivery
- Maximise local economic benefit
- Support the third sector through capacity building measures

## General comments:

It is APSE's view that the use of co-operatives and mutual's, which may operate on a commercial basis, will not necessarily enhance local economic, social and environmental benefits for local communities or lead to a greater share of public services being delivered through that type of vehicle. Where such models are chosen after a commissioning cycle has reached a 'make or buy' decision then as with all public services it should be subject to vigorous local accountability. There is with any procurement decision risks which need to be managed. Should services be procured through a tender situation it would be unacceptable to lessen that process of accountability simply because a provider is labelled as a 'third sector' or social enterprise sector provider. Indeed to do so could breach EU procurement rules. Our research on community benefits in procurement found that procurement processes can inhibit the involvement of SMEs or third sector providers. Our key findings from the research indicate that common barriers or perceptions are:-

- EU Procurement Directives and UK Value for Money policy are perceived to be the biggest barriers to achieving community benefits from public procurement
- There are difficulties for local suppliers to successfully bid for and deliver contracts (identified by 47.5% of respondents to our research survey)
- In some cases the local authority culture and perception
- Training, awareness and budgetary and efficiency pressures were significant problems to achieving community benefits

However, these barriers can be overcome. Whilst European law and UK policy needs to be adhered to, matters such as difficulties with suppliers can be addressed more easily, via measures such as; local capacity building, contract unbundling or staff training. This is not to say it is easy to overcome deeply ingrained problems around culture and perception. But at least many primary problems can be solved by local authorities themselves, rather than being at the mercy of national and supra-national forces.

Our research found that an extensive and diverse range of measures for achieving community benefits through procurement were identified by practitioners and these measures can be implemented throughout each stage of the procurement process, from pre-tendering to contract management. In addition, working with local suppliers to increase their uptake of contracts, thereby retaining money and supporting employment locally, was a prevailing theme.

The most popular measures local authorities can take were reported to be:-

- Engagement with suppliers (reportedly practiced in the local authorities of 63.6% of respondents);

- Tailoring tender evaluation criteria to favour the inclusion of community benefits (60%);
- Advertising locally through a procurement portal (45.6%);
- Use of community benefit clauses (45%); and
- Adapting procurement rules in ways to support local suppliers (40%).

### **Concluding remarks:**

It is APSE's view that there is a legitimate role for third sector organisations in providing some public services, but this should not be an alternative to or necessarily in direct competition with the direct delivery of services. Direct services, through the governance of locally elected councillors, is a legitimate means to deliver local public services and where this is used imaginatively and effectively it can enhance the role of cooperatives, mutual's or third sector suppliers. It is our view that the creation of markets and the use of competition will not in the long term increase the role of charities, social enterprises, mutuals and co-operatives in public service delivery.

If the stated aim is to enhance the role of third sector organisations, and involve them in the delivery of public services, then intelligent commissioning will focus on the use of collaborative and co-operative arrangements between services providers, rather than the blunt instrument of procurement, which in any event restricts what can be effectively achieved in the interests of ensuring a level playing field.

APSE can point to many examples of effective partnership working between the public sector and the third sector which enhances public service delivery.

APSE would be happy to present further evidence either orally or in writing if requested.

**Ends**