

Transforming the way we work

Commissioning & Procurement Strategy



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Foreword

Our local communities and tax payers depend on us, the council, to commission essential public services to satisfy the people of Leicestershire's needs.

In common with all public services across the country, we are facing unprecedented challenges brought about by ever increasing demand and the most difficult funding position since World War Two.

Not only are we responding to demand and budgetary pressures, we are also implementing significant regulatory and structural change with both The Care Act and Health and Social Care Integration coming into effect.

With challenge comes the opportunity to fundamentally transform the way we operate. We are an ambitious local authority committed to delivering a better quality of life for people in Leicestershire and better value for money for the taxpayer.

In embracing these challenges, effective commissioning, procurement, performance and contract management have never been more important in transforming and enhancing public services than they are today. Similarly, communities have a key role to play in supporting the

effective commissioning of these services by the council and other agencies. They are ideally placed to help identify key local stakeholders, understand the needs and aspirations of local people, map community resources, establish priorities and to generate and assess options to tackle priorities. They can also play a role in delivering services, or supporting their delivery and help to evaluate progress so that services are fully tested from a local perspective.

With the support of our staff and communities we intend to use commissioning opportunities to inspire new thinking, to harness co-creation and to deliver additional social value in all we do.

This strategy therefore aims to set the vision and direction for our commissioning activity as well as establish the principles and framework which will underpin all our commissioning decisions. In doing so, we aim to make commissioning more effective and to create a consistent outcome-based approach to commissioning across the Council and our partners. In order to move forward we will not only deal with external challenges, but set ourselves challenges that will stretch our capabilities to help transform the way we commission and how we work jointly with our partners and the different communities within Leicestershire.

Our vision for transformation

“The council needs to respond urgently and safely, transforming our services, our focus and our working practices.

We need to look at what we do in a different way. Our relationship with communities and individuals will change, and others may need to take on what we now have to stop providing.

At the heart of our transformation must be a renewed focus on our customers and our communities, with a determination to put people and outcomes ahead of organisational boundaries and bureaucracy.”

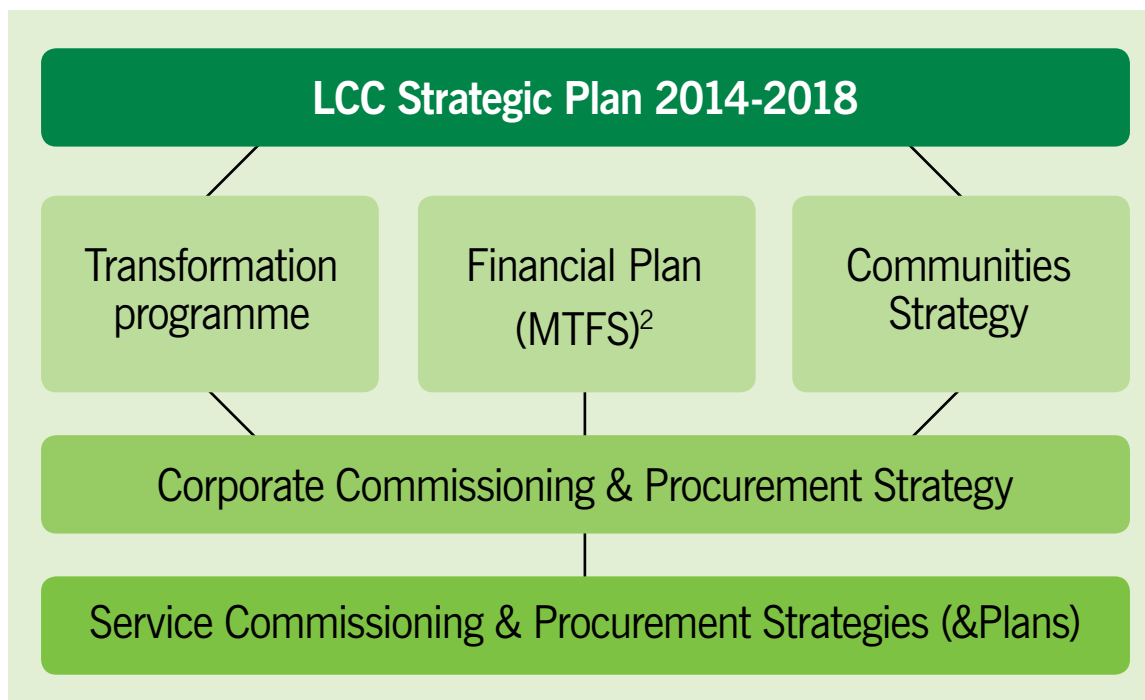
Source: LCC Strategic Plan 2014-2018

Introduction

This strategy sets out the vision and direction for commissioning activity across the council and how we will achieve this over the next 4 years as well as establishing the principles and framework which will underpin all our commissioning decisions.

Our aim is to ensure a robust and consistent approach is adopted to all our commissioning activity.

This strategy supports the delivery of our Strategic Plan¹ and other corporate strategies and plans including our Transformation programme, the Financial Plan and our Communities Strategy. At the same time, our service strategies and plans will reference the commissioning principles set out within this document and develop tailored plans for achieving their commissioning goals including specific details of what will be delivered by when and how.



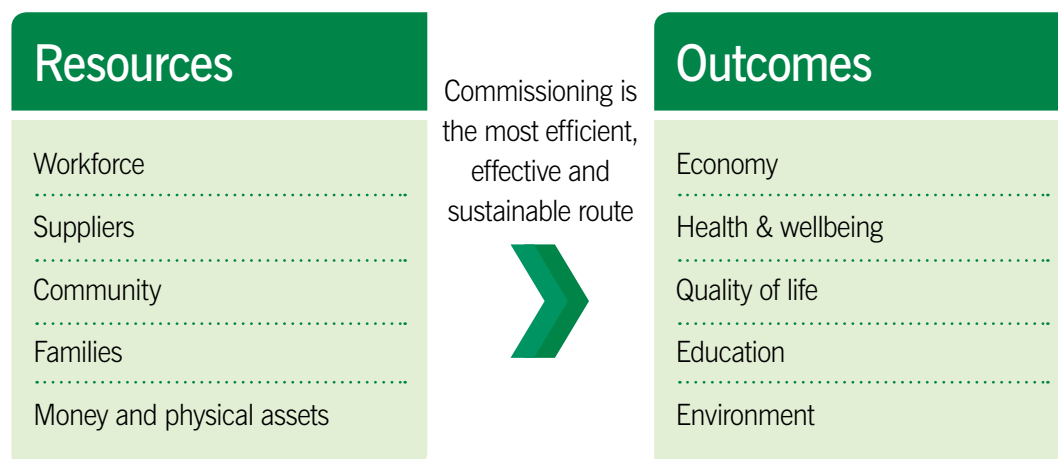
¹ For further information on the Council's strategies and plans, please visit www.leics.gov.uk/our_priorities_and_objectives

² MTFS is the Council's Medium Term Financial Strategy which contains details of the Council's current forecast revenue budgets and capital programme.

What is commissioning and what is procurement?

It is important that all of our customers, citizens, suppliers and staff understand what commissioning and procurement mean.

“Commissioning” is the process for deciding how we will leverage the total resources available in order to make the biggest possible impact on outcomes in the most effective, efficient and sustainable way. The diagram below illustrates how we utilise commissioning to deliver outcomes.



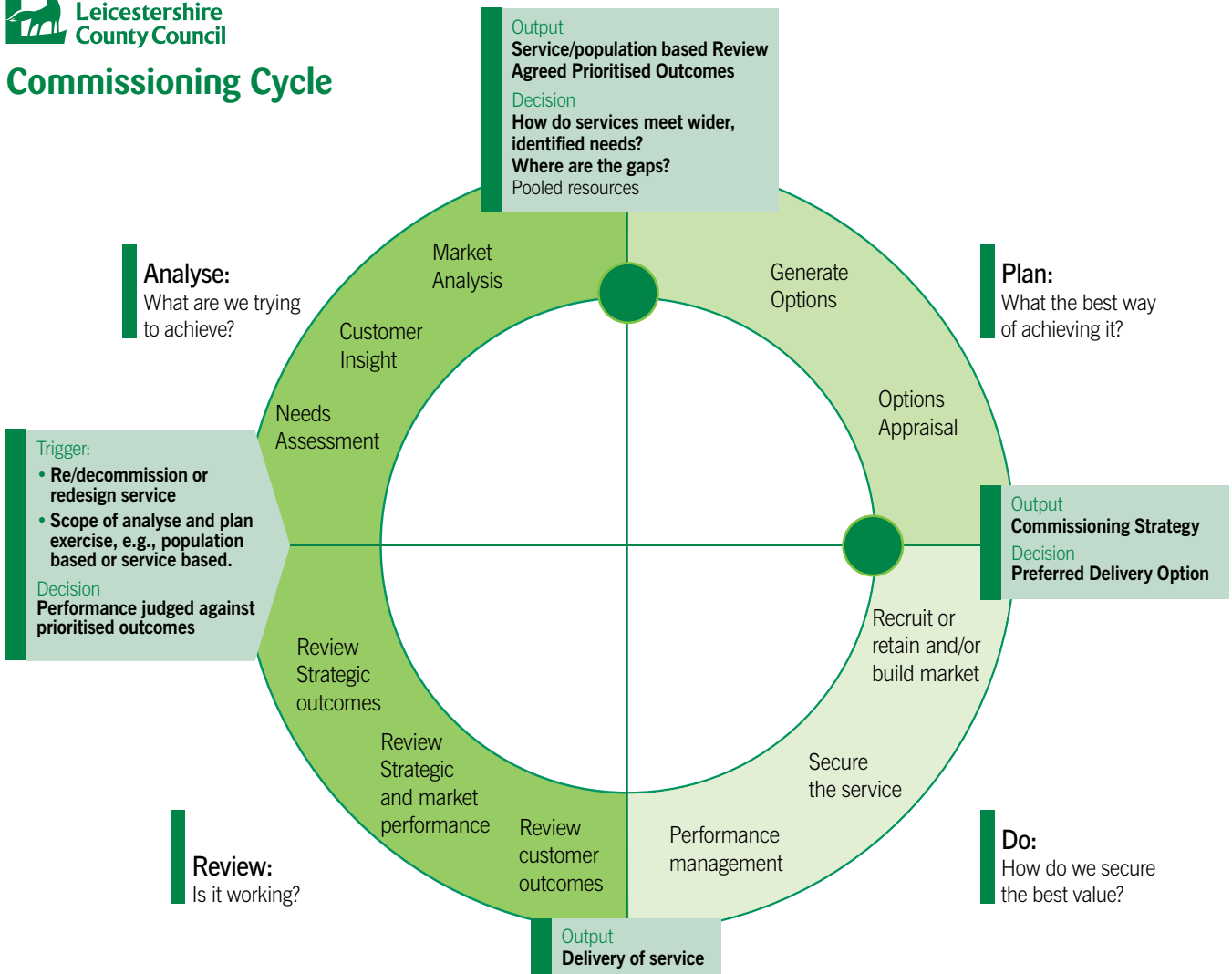
“Procurement” is the process of the acquisition, usually by means of a contractual arrangement after public competition, of goods, works or services. Procurement ensures we seek value for money in how we deliver commissioning plans.

To get the best from the finite resources available we recognise that commissioning does not end once the service has been put in place. The commissioning cycle

below shows the various stages of commissioning and the typical activities we will undertake to ensure that services remain fit for purpose and delivering best value throughout their intended life.



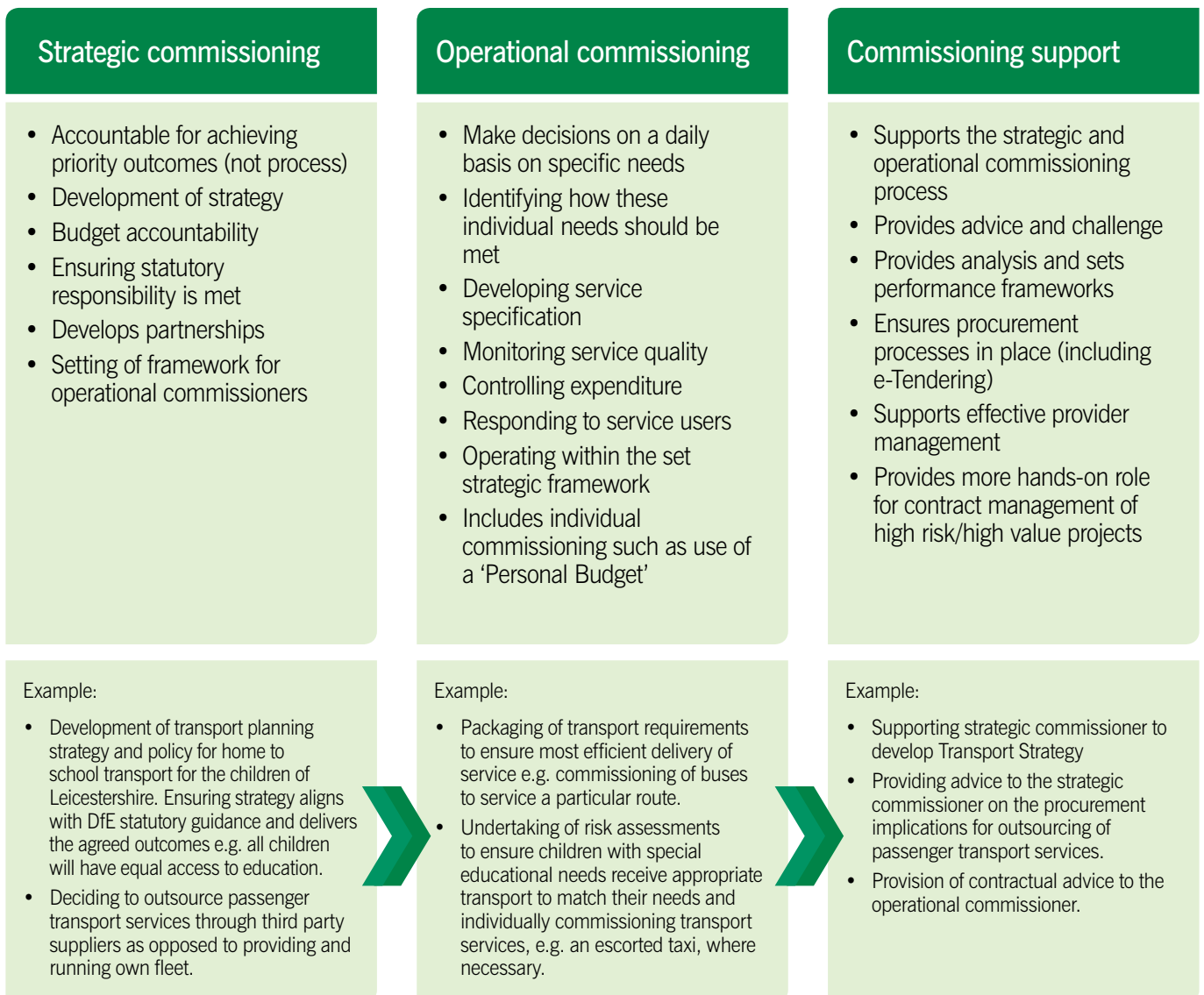
Commissioning Cycle



Commissioning activity is fulfilled by a number of different roles within the organisation. The diagram below highlights the differences and inter-dependencies of those roles:

Commissioning roles

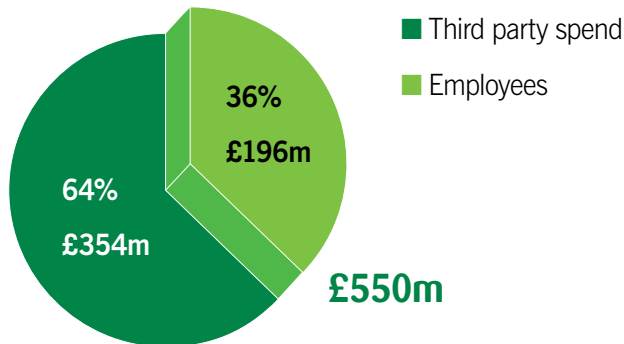
An illustration of Commissioning & Commissioning Support roles



Baseline position

We have an annual budget of £550m each year and around £354m (64%) of this is spent externally on buying goods and services from third parties. 'Employees' (the remaining 36%) includes spend on in-house services, trading operations and shared services as well as business support.

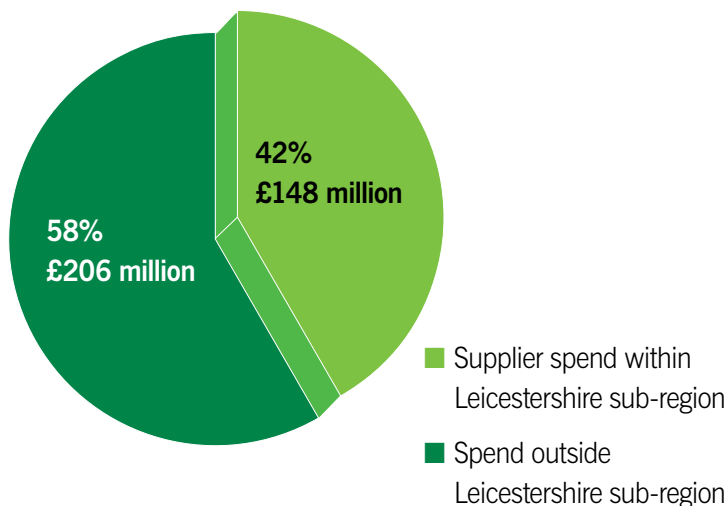
Total spend



By 2018 we expect the total size of this pot to reduce. We also expect the portions spent internally and externally to change as we focus on what is strategically important and also as the opportunity for people to buy their own services directly continues to increase.

Of our spend with external suppliers, about 42% of this is spent with suppliers within the Leicestershire and Leicester area.

Financial Year 2013/14: Total Leicestershire spend

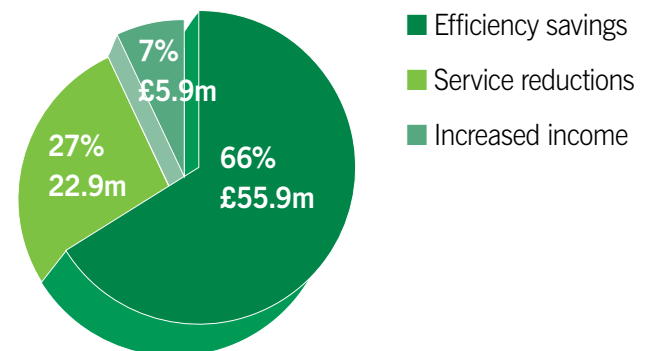


Further, we spend approximately 52% of all of our spend with Small and Medium Size Enterprises.

Wherever possible we will look to increase the money spent locally and with local businesses.

We have a successful track record of delivering savings with over £84.7m delivered between 2010 – 2014, achieved mainly through better commissioning and procurement.

Savings achieved in the period 2010-14



Council vision to 2018

The Council's vision is that Leicestershire is the best place to be – a place to work and prosper with a strong economy and good transport links, a place to bring up children and for families, a safe and healthy place which supports aging well and provides joined up health and care services for vulnerable people and a safe place with a good natural environment.

To deliver this vision we are changing fundamentally the

way the Council operates. We need to make the most of all the resources available - not just our resources - but those of our partners, suppliers and communities to make the biggest impact we can. In doing so, we will be able to promote independence and community resilience and yet still be there when we are needed the most.

To help us move forward we have developed a new model for how the organisation will function.

Corporate governance

Strategic policy, strategic commissioning, legal, strategic finance, assurance (risk management and internal audit) and democratic support

Integrated commissioning for outcomes

Accountable for outcomes

- Service policy
- Needs analysis and forecasting
- Stakeholder engagement
- Financial planning
- Risk and quality management
- Safeguarding
- Decision making

Commissioning for people and place

Older people	Children	Learning & education	Environment	Corporate property
Physical disabilities	Public health	Learning disabilities	Transport & highways	Economic development
Public protection	Mental health	Families	Regulatory services	

Service delivery

Individuals

Communities

Shared services

3rd sector

Private sector

Public sector

In-house

Commissioning support

- Support option appraisals (service redesign)
- Procurement
- Contract and supplier management
- Performance and business intelligence
- Market and community development
- Consultation and engagement

Transformation support

- Programme and project management
- Change and learning and development
- Strategic IT
- Communications

Operational support and infrastructure

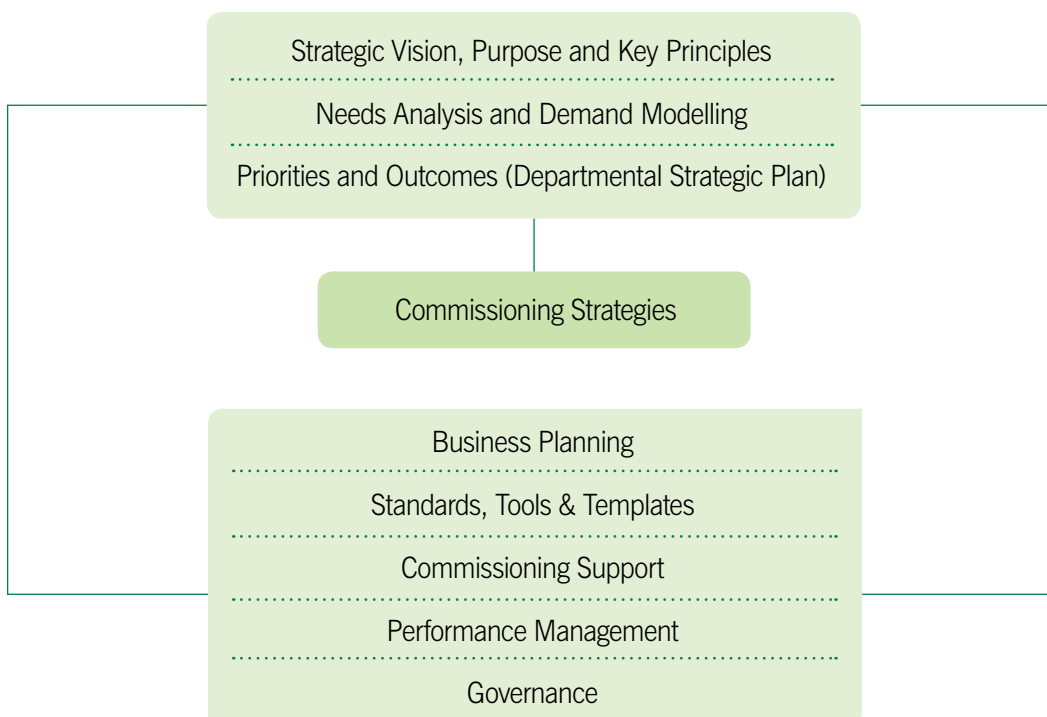
- Customer Services (all channels)
- IT operations
- Facilities management
- Traded services
- Transactional processing
- Business Support

This model shows how commissioning will be carried out in an integrated way, working across partnerships and service areas, to help understand citizens and local communities better and then to use this insight to secure better outcomes.

Having a diverse set of suppliers to be able to deliver these outcomes at the right quality and cost is an essential part of our commissioning and procurement strategy. Which service delivery option is used will be determined by a clear evidence base. We will continue to challenge the nature of how services are delivered and stimulate and develop markets where there are capability gaps or capacity is limited.

Commissioning framework

Corporately, we are adopting a structured framework for commissioning. The new framework creates a 'blueprint' for our commissioning approach and outlines the stages and components required for effective commissioning including: an evidence based needs analysis to understand the user requirements, establishing clear outcomes and priorities that we are seeking to achieve, using these outputs to develop clear commissioning strategies and then putting clear intentions and plans in place.



Commissioning Principles

To achieve our vision, we have developed a number of key commissioning principles. These principles will apply to all commissioning activity across the council and will become the reference point for how we commission services in the future.

Our principles are:

- **Make decisions based on evidence.**
- **Understand and challenge needs and manage demand;**
- **Take an outcomes based approach to commissioning;**
- **Challenge and review service delivery (make, shift, buy, share, stop)** to make sure value for money is achieved;
- **Use an enhanced commercial approach** by taking a more 'business like' approach to creating further efficiencies and maximising income;
- **Collaborate** with others to secure the best outcomes for the people of Leicestershire;
- **Innovation in Performance management** to ensure we are getting the most from all of our commissioning and contracting arrangements;
- **Enhance Sustainability – environmental, economic and social** for the ongoing well-being of the people of Leicestershire;

Within each of the principles we have detailed a number of actions we will undertake. The key actions in achieving each of the principles can be summarised as follows:

Commissioning principle	Key action
Make decisions based on evidence	Increase corporate responsibility for data and Business Intelligence (BI), and its role within developing an evidence based culture, supported at a corporate level to provide the professional expertise to the whole organisation.
Understand and challenge needs and manage demand	Take a joined-up approach to commissioning through establishment of commissioning outcomes groups. This will bring commissioners across the council and the wider public sector together with suppliers to explore joined up creative solutions.
Take an outcomes based approach to commissioning	Working with our partners, we will define the outcomes to be achieved in our corporate service plans and commissioning strategies and demonstrate our progress in meeting these outcomes.
Challenge and review service delivery (make, shift, buy, share, stop)	Challenge the status quo, investigate and robustly interrogate how we can best manage demand and leverage the capabilities of alternative delivery models.
Use an enhanced commercial approach	Instil a culture of commerciality amongst our staff through training and re-structure our commissioning support to form an internal Centre of Excellence to make the most of our resources.
Collaborate	Implementing a “whole area” approach to public services e.g. Community Based Budgets – joining up with Clinical Commissioning Groups, Police Force, Fire Service, Universities and District or Borough Councils, etc. in our communities to undertake demand analysis and develop category specific plans.
Innovation in performance management	Develop a robust authority wide framework for supplier and performance management that sets out a standard approach and toolkit for monitoring, reporting and incentivising internal and external supplier performance and achievement of outcomes over the life of a contract.
Enhance sustainability – environmental, economic and social	Through continued use and development of tools such as our environmental implications tool, we will use our commissioning and procurement activity as an opportunity to maximise the positive outcomes and minimise negative impacts for environmental, economic and social sustainability.

Commissioning principle:

Making decisions based on evidence

Where we are now:

Having a deep understanding of local needs is essential to how we commission our services. At present not all of our service planning and delivery is being based on hard evidence - often we are not stopping to really understand and challenge the need for services or whether they are being delivered in the most efficient way possible. This is happening because either the data or the understanding of best practice and processes isn't readily available to challenge, or capability to seek out such data and needs is not there.

Every step of the commissioning cycle (analyse, plan, do, review) is reliant upon having the right data and insight in place to make the right decisions. To support commissioners with the delivery of increasingly difficult and complex decisions, there is a need to ensure all decisions are being made based on evidence.

The principle of making evidence based decisions is one that runs across and supports all of the principles contained within this strategy, but there are specific fundamental commissioning steps we must take to ensure this happens.

What we will do:

- i. We will increase corporate responsibility for data and business intelligence (BI), and its role within developing an evidence based culture, supported at a corporate level to provide the professional expertise to the whole organisation;
- ii. Share our data and BI with our partners including our communities, to help plan service design and delivery – this will include a greater focus on forward looking information and scenario planning to enhance the trend data we already use;
- iii. Use our research and insight to analyse and report on the effectiveness of our commissioning decisions, e.g. the effectiveness of our prevention work;
- iv. Make best use of our commissioning and contracting arrangements to collect reliable performance data and cost benchmarks;
- v. Work with organisations such as the “Centre of Excellence for Information Sharing” and “LG Inform”³ to ensure all relevant data and case studies of good practice are shared across authorities and the wider public sector;
- vi. Instil a culture of evidence based decision making across the organisation through, for example, the use of training, systems and processes and challenge decisions that are not evidenced-based.

Case study

Prevention review

Historically we have reviewed our services by looking at how they meet the council's objectives and how they have performed against existing contracts: not on how they have prevented our customers needing access to a more costly service. As part of our prevention review, we have worked with our service users and gathered existing data, research and intelligence to identify critical points where an intervention was most successful at maintaining a person's independence and the groups of people who are most likely to benefit from specific interventions. Gathering this evidence base allows us to make decisions on how we formulate the reshaped prevention offer as well as setting the evaluation and performance management criteria in order to develop and grow the evidence base for future commissioning of prevention services.

³ LG Inform provides up-to-date published data about a local area and the performance of local councils. Further information is available from www.lginform.gov.uk

Commissioning principle:

Understand and challenge needs and manage demand

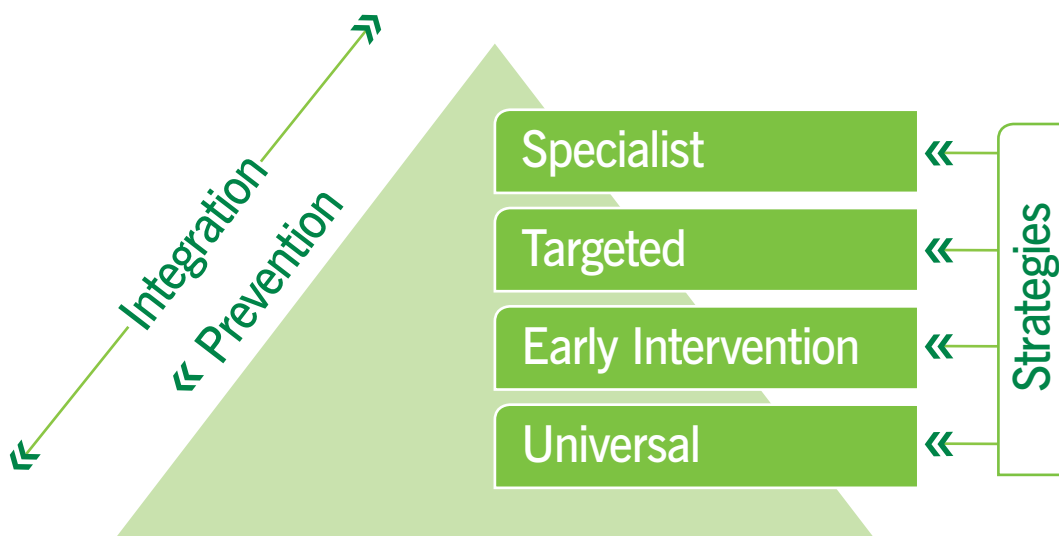
Where we are now:

Understanding local needs and preferences as well as reducing demand longer-term lies at the heart of effective commissioning. We currently use a range of techniques to help us understand the needs of individuals and the population overall. We are also pioneering the work of the Centre of Excellence for Information Sharing, an innovative collaboration between local and central government, to facilitate sharing information across the public sector. Our track record of managing demand is very much focussed around targeting resources at those people and places in greatest need, whilst increasing the resilience and developing the resource base of our communities and individuals to help themselves.

To avoid creating unnecessary demand and in seeking an approach to manage unavoidable demand in the most effective way possible we must seek to take a long term view. Without a long term and holistic view of demand we risk delivering false economies where reductions in provision in one area result in increases elsewhere.

However we understand the importance of having a more sophisticated approach to identifying needs, understanding demand and also reflecting the rights of citizens to play a role in shaping the services they receive. For example, we are piloting a whole systems approach to understanding the needs of and managing the demand for services for people with disabilities.

Where necessary, the council will continue to provide high quality specialist services, but more and more the council is developing strategies and services to support preventing more acute needs from developing in the first place, through early intervention and targeted services. In addition the council's plans to build community capacity plays a vital role in this model.



What we will do:

- i. Take a joined-up approach to commissioning through establishing commissioning outcomes groups to bring commissioners across the Council and the wider public sector together. These groups support the decision making process, and will be used to explore creative solutions to respond to identified needs;
- ii. Seek to understand customer expectations through consultation, and effectively communicate what we can and cannot do, and why;
- iii. Provide clearer information and signposting to help customers and citizens access services and facilities provided by their local community;
- iv. In line with our Communities Strategy we will seek to reduce demand across all departments by a) building the capacity of communities to support themselves, individuals and families; b) supporting community groups to take over relevant services and c) developing voluntary and community sector organisations as effective providers;
- v. Through revised governance arrangements, we will build a corporate approach to demand management to reduce the chances of duplication, over supply and unnecessary cost.

Case study

Food waste Managing demand

With increasing costs of sending waste to landfill, we worked with Oadby & Wigston District Council and suppliers within the waste disposal market to let a contract for the treatment of food waste. Through this contract so far, we have diverted approximately 300 tonnes of waste from being sent to landfill resulting in a net saving to the taxpayer.

Our “Love Food Hate Waste” programme, encourages people to make the most of the food they buy and to minimise waste. As well as potentially saving the average family in Leicestershire up to £50/month, this initiative has also reduced the resources spent on waste collection and disposal.



Commissioning principle:

Taking an outcome based approach to commissioning

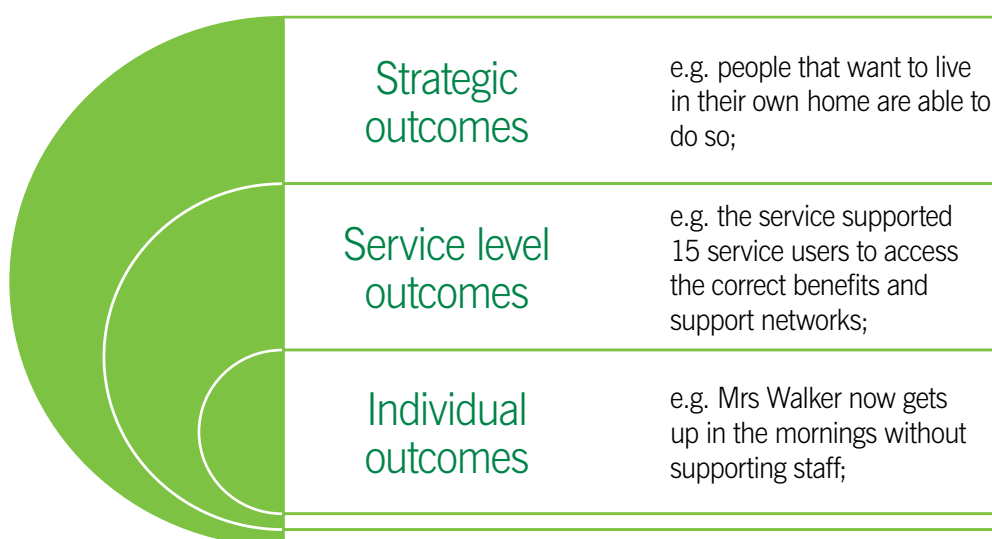
Where we are now:

Our commitment to better commissioning means achieving great outcomes. The importance of commissioning against outcomes has been widely recognized for many years. A focus on outcomes which encourages commissioners and importantly service users to express the outcomes they want, provides scope for user empowerment and choice, and better quality fulfilment of needs. It involves moving from a traditional activity-based approach to service planning and delivery, to a more flexible and responsive model where new thinking is needed about how to measure success.

Outcome based commissioning means (where appropriate) shifting the basis on which services are purchased and resources allocated. Typically this will be from units of service provision for pre-defined needs (e.g. tasks, hours, days or weeks of a given activity) to what is needed to ensure that the most important outcomes for the people of Leicestershire – improving their lives - are met. For some of our services this will be a paradigm shift in the way that services are thought of and delivered.

An outcomes-based approach also encourages us all to focus on the difference that we make and not just the inputs or processes over which we have control. It is only right that we are judged by the difference we make to people's lives in Leicestershire

Outcomes can be further categorised into:



For certain services e.g. Children's services, we have statutory duties to deliver specified outputs that will make it hard to deliver solely on an outcomes based approach, however, we will seek to take this further and apply outcomes based commissioning wherever possible.

What we will do:

- i. Working with our citizens, partners and service users, we will define the outcomes to be achieved in our corporate service plans and commissioning strategies, and demonstrate our progress in meeting these outcomes;
- ii. Implement where appropriate a robust approach to “payment by results” to incentivise in the achievement of outcomes;
- iii. Pro-actively lead in market engagement designed to stimulate supplier innovation;
- iv. Ensure that contract specifications make detailed reference to the outcomes to be delivered and how these will be measured;
- v. Put in place effective contract management / performance monitoring systems to ensure outcomes are delivered and measured;
- vi. Develop a commissioning toolkit to support commissioners in using an outcome based approach and tailor training plans to ensure that outcomes based commissioning skills are taught to all relevant staff.

Case study

Youth employment An outcomes based approach

By working with the Leicester and Leicestershire economic partnership (LLEP) , local employers and schools and by investing in an effective careers advice and guidance service and an apprenticeship scheme, the Council has been able to reduce the rate of young people ‘not in education, employment and training’ (NEET) to 2.8% (July 2014), one of the best performing authorities in the region. This has also helped to improve economic growth as well as reduce the financial costs, which would otherwise have been borne by the taxpayer for out-of- work benefits.



Commissioning principle:

Challenge and review service delivery ('make, shift, buy, share, stop')

Where we are now:

We already have a mixed economy in place including in-house provision, shared services, partnerships and contracts and adopt a business case approach to our project activity.

We have been working with Voluntary Action Leicestershire (VAL) to create a thriving and local voluntary and community sector by supporting them to help organisations in this group to tender successfully for public service delivery contracts. We have also been working with the Co-operative & Social Enterprise Development Agency (CASE) to support the development of social enterprises in the County.

In deciding how best to deliver outcomes, our commissioners have several routes open to them:

- In house provision (make) e.g. Leicestershire Highways Operations providing highways maintenance services; school meals service;
- Shared in-house provision (share) e.g. East Midlands Shared Services providing operational Human resources (HR) and pay roll services;
- Buy from one or more external suppliers (buy) e.g. Information communication technology (ICT) software licenses being bought from Microsoft;
- Buying from one or more external suppliers in collaboration with one or more other commissioners (buy collaboratively) e.g. Leicester, Leicestershire & Rutland contract for

Integrated Sexual Health Service Provision, East Midlands Lawshare for legal services;

- Shifting provision elsewhere (shift) e.g. Community running of Dementia café;
- Stopping provision of the service altogether / decommissioning (stop).



Increasingly we will need to challenge the choice of delivery model. Unprecedented financial challenges call for unprecedented solutions. We simply cannot afford to commission all services on a like for like basis.

What we will do:

- i. Challenge the status quo, investigate and robustly interrogate how we can best manage demand and leverage the capabilities of alternative delivery models;
- ii. Investigate and establish (where relevant) a market development programme which through market analysis, engagement and development will help to shape a robust, innovative supply market;
- iii. Review, streamline and challenge our commissioning strategies and plans during their development phase to make sure they are sufficiently robust in terms of intended outcomes and delivery models;
- iv. Assess delivery models on a level playing field and on their individual merit for achieving best value for the people of Leicestershire;
- v. Continue to progress the priorities set out within our Communities Strategy and investigate ways we can enable greater delivery through the communities, self-help and use of volunteers.
- vi. Enable customer and service users to determine for themselves their own best delivery option through creating and promoting personalisation (including the increased use of personal budgets);
- vii. Support (where relevant and applicable) the community right to challenge and also support establishment of employee mutuals;
- viii. Set out a corporate approach to the decommissioning of services.

Case study

The Leicestershire Timebank Community self-help

The Leicestershire Timebank initiative, which enables residents and businesses to exchange services using units of time, has made a positive difference to individuals and community wellbeing. Originally set up by the Council in 2012 to develop the social and health care market locally and to enable people in the local community to support one another, the Timebank has operated successfully on both a business to business and individual to individual basis.



Commissioning principle:

Enhanced commercial approach

Where we are now:

We recognise that making sound commercial decisions and the ongoing management of our cost base is essential for the Council's business. We were an early initiator of the category management approach to managing our procurement spend and have been instrumental in delivering savings whilst at the same time meeting increased demand.

Two of the key priorities identified in the Council's Transformation Programme are "working the Leicestershire pound" and "working effectively". Whilst not activities that will be delivered exclusively through Commissioning and Procurement, clearly there is a large role to play in the achievement of better value for money, efficiency and maximising the funding available to the Council.

As a response to the financial pressures that we face and will continue to face, there is recognition that we need to take a more commercial approach to our commissioning and procurement activity so that we not only maximise the possibilities to create efficiency but also to save money and generate extra income wherever possible.

Adopting a more commercial approach does not mean taking unnecessary or uncalculated risk, or pursuing lowest cost at the expense of wider council considerations such as the social value agenda. However, it does mean taking a more balanced view of the impact commissioning decisions will make, the risks associated and the value for money being delivered.

What we will do:

- i. Instil a culture of commerciality amongst our staff through training and re-structure of our commissioning support to form an internal Centre of Excellence to make the most of our resources, share best practice and achieve greater consistency in our approach;
- ii. Ensure that the commercial structure (including Key Performance Indicators (KPIs), Service Level Agreements (SLAs) charging mechanisms) of our key contracts (by risk and value) compares well with leading industry practice;
- iii. Apply “the total cost of ownership” and ensure full investment appraisals are undertaken in our Commissioning and Procurement decisions, i.e. true costs over the lifetime of a service or product, not just the initial price quoted or paid;
- iv. Apply payment by results for our suppliers, where appropriate, linked directly to specified outcomes;
- v. Incentivise innovation and enhanced performance through pain share / gain share mechanisms, e.g. sharing savings achieved through supplier led innovative solutions, or jointly agreeing ways in which risks and costs are shared;
- vi. Review ways to continue to reduce our transactional costs e.g. through our invoicing process and the wider use of Purchasing Cards (PCards);
- vii. Continue to roll out eTendering and other tools that will help us to improve our efficiency;
- viii. To maximise our opportunities for generating surplus income to reinvest in front line services we will develop consistent business plans and marketing strategies to ensure we are maximising the potential for income generation;
- ix. Recognize and capture the role of Social Value in “Working the Leicestershire Pound”.

Case study

Property services Local contractor framework agreements

Saving money for Leicestershire schools through providing a more cost effective service has been the result of the Council changing the way Property Services engaged with the marketplace. Instead of working with a large prime contractor, the Council has instead partnered directly with a range of local contractors directly. This approach has also added value to the local economy.



Commissioning principle:

Collaboration

Where we are now:

We have a strong history of involving those people who use our services in their design and monitoring as well as collaborating with other public sector services

The benefits of collaboration have long been known to us and much good work has been done on building relationships and establishing ways in which we can work with others for mutual benefit.

As financial pressures continue to be felt across the Public Sector we must look at ways of building on the work done to date and maximising our opportunities to collaborate.

Within the Council's Strategic Plan 2014 – 2018 we state: "We will aim for greater integration and coordination of services both within the council and across partner organisations. Through collaboration, shared and single services projects we will aim to save £4m."

Traditionally, collaboration has been undertaken through joint purchasing and aggregating demand. Whilst undeniably important, collaboration through commissioning and procurement is about much more. It's about understanding how other services may interact and how the decisions we make as part of the commissioning process will impact both directly and indirectly on others. Considering collaboration at the earliest stage will allow for these interactions to be identified, considered and taken into account as necessary. Effective use of collaboration and engagement with partners at the right time avoids unnecessary duplication. A reduction in duplication will in turn reduce demand, pressure on services and therefore costs.

For example, a total of £38m is being pooled between the NHS and council partners in Leicestershire to provide more integrated care in the community particularly for frail, older people, those with long term health conditions and other vulnerable groups, including carers.

It is acknowledged that collaboration won't always be relevant across all levels and there are often good reasons not to collaborate. However, instead of asking "why" - what is the benefit of collaborating? We will move to a default asking "why not"? Collaboration will be seen as the default option.

What we will do:

- i. Look to implement a “whole area” approach to public services e.g. community based budgets – joining up with Clinical Commissioning Groups, Police, Fire & Rescue Service, Universities and District or Borough Councils, etc. in our communities to undertake demand analysis and develop category specific plans;
- ii. Embed a collaborative culture as a default position: ensure that our staff are seeking opportunities for collaboration between the council, communities service users and suppliers as a key part of any commissioning activity;
- iii. Share our commissioning work plans with other authorities and our suppliers – wider integration with other public sector bodies and networks;
- iv. Share performance indicators (PIs) and cost benchmarking information across organisations;
- v. Share resources / skills – recognising where skill sets lay, and capitalising on that, including optimising use of our purchasing agent ESPO;
- vi. Where appropriate, encourage the Voluntary and Community Sector to work together to deliver services on a lead provider/consortia arrangement, to help to make this important sector more resilient.

Case study

East Midlands Shared Services Collaboration

Through collaborating with our neighbouring authorities, we identified that several of our key support services could be combined and in doing so reduce un-necessary duplication. Working with Nottingham City Council, we established the “East Midlands Shared Service” – a back office support function providing transactional finance, HR administration and payroll services. Working in this collaborative way will result in a combined target saving to the tax payer of £2m.



Commissioning principle:

Innovation in performance management

Where we are now:

A commitment to excellent commissioning also means developing better relationships with our suppliers and maximising value from our existing contracts. Less than 1% of our suppliers currently account for 57% of our procurement spend.

Our contract management approach takes into account the risk and value of our contracts, focussing attention, for example, on the performance of our business critical suppliers to mitigate supply chain risk and to safeguard vulnerable people. We have previously been successful in unlocking savings through, for example, our “Key Supplier Cost Reduction project” and using our internal governance processes to check that contract management practice for individual contracts is robust.

Effective performance management is more than ensuring our suppliers meet contractual obligations and deliver cashable savings, it can also help us to identify and manage our own and suppliers' risks and achieve savings and continuous improvement throughout the life of the contract.

However we recognise that our approach to managing our suppliers is varied. We are also developing our information on the performance of some of our in-house services. A lack of reliable performance management information, data and analysis limits our ability to inform future commissioning decisions on what works well, what doesn't and why.

What we will do:

- i. Develop a robust authority-wide framework for supplier and performance management that sets out a standard approach and toolkit for monitoring, reporting and incentivising internal and external supplier performance and achievement of outcomes;
- ii. Undertake a forensic review of our existing contracts to make sure that we are maximising performance and savings;
- iii. Invest further in training in relation to contract and supplier relationship management;
- iv. Incentivise supplier performance through wider use of payment by results as well as implementing pain / gain share clauses where suppliers can retain a share of any savings brought about by efficiencies they introduce;
- v. Identify opportunities to work collaboratively with our suppliers to develop innovative approaches to service delivery;
- vi. Review our governance arrangements to ensure that the overall monitoring and risk reporting of suppliers (including community providers) - in particular for the Council's most critical external supply relationship - is being conducted in a consistent manner;
- vii. Continue to work with our business critical suppliers, and their supply chains, to make sure that they have robust Business Continuity plans in place to minimise any risk of disruption to our services;
- viii. Future proof our contracts to ensure scalability can be accounted for in light of fluctuating demand;
- ix. Benchmark our performance both on a qualitative and quantitative basis;
- x. Take support from a professional approach to data and business information through earlier and clear definition of management information needs, and then effective data collection and delivery to inform accurate assessment and decision making.

Case study

Smoking cessation Payment by results

Although the rate of smoking in Leicestershire is at an all-time low (19% of the population) and below the national average, the burden on the health service from dealing with smoking related diseases and for businesses in terms of absenteeism and smoking breaks remains significant. Through incentivising suppliers on a payment by results basis, the Council aims to help people to stop smoking and improve health outcomes. Payments are based on performance against identified measures such as 4-week quits, 12-week quits, carbon monoxide (CO) validation and Health Inequality quits.



Commissioning principle:

Enhance sustainability

Where we are now:

An integral part of commissioning activity for Leicestershire is making a positive impact on the environmental, economic and social sustainability both for the area and for the people.

Over the last few years we have made significant steps to building wider environmental, economic and social outcomes into our decision-making. Specific examples include:

- Setting mandatory requirements for an Environmental Impact Assessment to be completed before each time we procure a contract that has the potential to realise improvements in our Environmental Sustainability;
- Embedding the Social Value Act requirements within our Contract Procedure Rules and issuing guidance for all of our staff;
- 52% of our business is conducted through Small and Medium-sized Enterprises (SMEs) and about 42% of our total business is done with suppliers from within the Leicestershire sub-region;
- Working proactively to target economic growth and sustainability through the Leicester Leicestershire Economic Partnership (LLEP) and through our engagement to develop the LLEP Strategic Economic Plan. We have been working with the LLEP to develop ways in which we can raise awareness of business opportunities, provide advice, guidance and enable business growth and development;
- Our commitment to the Federation of Small Businesses (FSB) Small Business Friendly Charter, taking active steps to implement the recommendations set out within the Charter to make doing business with the council as easy as possible.
- We have received top marks from the Stonewall Workforce Equality Index for the way in which our procurement processes take account of equality and diversity, for example, through the checking of suppliers' policies, training and ongoing contract monitoring.

Whilst considerable steps have been made, we realise there is still a lot more that can be done.

What we will do:

- i. Through continued use and development of tools such as our environmental implications tool, we will use our commissioning and procurement activity as an opportunity to maximise the positive outcomes and minimise negative impacts for environmental, economic and social sustainability;
- ii. We will look to rollout ISO14001 (the international standard for Environmental Management) accreditation to relevant business units and ensure that our suppliers work with us to do their part in helping achieve this accreditation;
- iii. We will continue to simplify procurement processes - making it easier for SMEs to do business with the council;
- iv. Wherever possible, we will continue to promote opportunities for doing business with the council to local suppliers;
- v. Work pro-actively to ensure that our key suppliers have prompt payment arrangements in place right down the supply chain;
- vi. Through use of Employment and Skills plans we will continue to ensure opportunities for apprenticeships and training are created wherever possible;
- vii. Continue to place a strong focus on equalities, diversity and community cohesion through implementation of our Equalities & Diversity strategy and ensuring that our commissioning arrangements reflect the aims of the strategy;
- viii. Continue to take account of Human Rights considerations in our commissioning activity and will also ensure our suppliers take all reasonable steps to protect the human rights of their employees;
- ix. Ensure contract specifications make detailed reference (where appropriate) to environmental protection outcomes;
- x. Engage earlier with our SME and VCS supply chains through publishing our forward plan of commissioning activity.



Midlands Highways Alliance Skills Academy

Through a partnership of local authorities, contractors and consultants, the Midlands Highways Alliance (MHA), led by Leicestershire County Council, has set up a Skills Academy to develop training and skills opportunities for the local community, staff and the supply chain.

This is the very first highways-based Academy in the UK. It offers on and off site training opportunities, approved training schemes in conjunction with the Institute of Civil Engineers (ICE) and the Transport Planning Society, STEM (Science, Technology, Engineering and Maths) Ambassador training and community and school engagement projects including the 'Bridge to Schools' programme. By making the most of the MHA's purchasing power, it has been possible to put training opportunities in place for local people and support local economic growth.



How will we measure our success?

At the beginning of this document, for each commissioning principle we have set out a key action that we can be measured against. Within each of the individual principles there are further “we will” action statements that we intend to report on using a red, amber and green (RAG) rating for each of the statements.

We will report to Cabinet annually on our progress in implementing each of the individual commissioning principles. We will utilise corporate evidence on how progress is being made and publish the report on our website, as the delivery of outcomes to fulfil the needs of our customers and end users is the ultimate aim.

We will also benchmark our overall commissioning and procurement performance with that of other organisations using tools developed by the Local Government Association (LGA) and the Chartered Institute of Public Finance and Accountancy (CIPFA), and other tools such as the Commissioning Outcomes Framework⁴.

⁴ The Commissioning Outcomes Framework provides a national overview of how well health and social care outcomes are achieved.

Glossary

3rd sector:	This is the voluntary sector or community sector (also known as the 'not-for-profit' sector).
Business intelligence:	This is the process for analysing and interpreting data and presenting this information to help managers make informed decisions.
Category management:	This involves managing categories of spend by grouping together related products and services. Decisions about what products and services are bought, which suppliers are used and what contracts are entered into, are made on a category basis with a view to optimising quality and maximising savings.
Community capacity:	This means increasing the ability of individuals and groups to influence the issues that affect them and their communities to take part in decision-making. This includes enabling communities to provide and manage services to meet community needs.
Community resources:	This is anything that can be used to improve the quality of life in the local community e.g. a person who organises a local group; a physical building such as a social club, library or park; a community service such as public transport, local recycling facilities; a local business that provides jobs in the local economy.
Mutual:	This is a business owned by its stakeholders to achieve a corporate purpose for its members. A mutual may be owned by its employees, its customers or its local community.
Outcomes:	Outcomes are the changes, benefits or effects that will happen as a result of the services we provide. Outcomes are about the end product as opposed to the individual output activities. For example: One of our outcomes might be to reduce the number of young people not in employment, education to training. The outputs required to achieve this might be working with our suppliers to develop apprenticeship schemes, working with industry to create jobs or a campaign to promote the benefits of further education.
Sustainability:	Sustainability is about looking into ways in which we meet the needs of the present without compromising the ability of future generations to meet their own needs. Our approach to sustainability focuses on maximising the positive outcomes we can achieve and minimising any negative impacts.
