

# Excellence in Place Leadership Programme

**Session 1: Innovation in Procurement**  
20 September 2019, Said Business School

*Answering the problem:*

“What does a great future business model look like - describe the essential components of a new business relationship between the commissioner and provider (private or public sector) of key place-based services?”



## Identifying the challenges

According to the Institute for Government<sup>1</sup>, the UK Government spends £284bn a year on buying goods and services for the public sector each year – around one third of the nation’s annual spend. Achieving the best value for money for citizens from this investment is critical for both central and local government authority commissioners.

The private sector plays a critical role, working in partnership with the public sector, to deliver this investment and the place-based services that are needed to transform lives. As such, the importance of establishing these partnerships cannot be overstated.

The challenge is to establish procurement models that enable these partnerships to work. To create an atmosphere of trust and transparency between clients and the entire supply chain, that engages and involves the entire workforce and ensures the private sector supply chain is brought into the challenge early.

*“How do we do things differently – combatting the institutionalised barriers and silos that undermine the infrastructure sector’s ability to deliver better results for the public? That means making the case for innovation and embracing our ability to do and think about things differently.”*

**Andy Milner, Chief Executive, Amey**

Encouraging innovation and outcome focused delivery must be at the heart of these new relationships and procurement methods. To make the case for change and to underpin further investment, the private sector must demonstrate credibility and build the public sector’s confidence in what can be delivered for the community. Conversely, the public sector must also provide reassurance and longevity to the private sector to encourage and enable investment and enable long-term investment and decisions.

*“Local authorities by their nature are quite cautious. We need to take baby steps to find out how to try a different approach – it’s difficult and we will have to work hard to push on standards and to break out of the way things have always been done. There may be a greater risk of doing nothing rather than failing in trying something new.”*

**Andy Milner, Chief Executive, Amey**

Key issues for further discussion:

- How does the private sector influence the commissioning authority’s decision-making?
- How can procurement be transformed to enable place-based, outcome focused solutions?
- What procurement models will best create partnerships that engage and empower citizens?
- What can be done to improve communication and influence with politicians?
- How can commissioning promote the early involvement of procurement teams and the private sector?
- What strategies can be employed to help articulate outcome based solutions?

<sup>1</sup><https://www.instituteforgovernment.org.uk/summary-government-procurement-scale-nature-contracting-uk>

## Identifying the opportunities

The local authority place agenda gets too little exposure compared to central government departments, despite its scale and potential ability to transform lives and communities. The local highways sector alone is worth **£6.5bn a year** but across the board, place-based services are worth in excess of tens of billions of pounds a year.

Commitment and policies to accelerate place-based investment needs a bigger and stronger voice across the public sector. Commissioning authorities must work with private sector partners to start to demonstrate that this is a credible place to spend money and will deliver benefits and increase public satisfaction.

*"We need a step change in engagement with local politicians and central government. If we don't get it right, we won't get the best outcomes for the public."*

**Neil Gibson, past President, ADEPT**

This is by instilling, embracing and developing a new mindset and approach to public spending so all partners share a common outcome-focused language.

This alternative mindset and focus on outcomes and cross sector benefits is already mainstream in other local government departments. Understanding why there is a difference in approach between highways contracts and, say, leisure contracts in terms of their procurement is crucial.

This is particularly the case as places thrive on their ability to connect people and the services they rely on. Organisations such as the Connected Places Catapult are working to meet the challenge by helping drive procurement change to boost demand for innovation and promote citizen focused solutions – setting out a manifesto of principles that help to challenge the myths of traditional procurement.

The goal is to use procurement as a tool for delivering better strategic objectives and fostering an open innovation culture. By mainstreaming innovation, the public sector can create the partnerships that enable the supply chain to build trust and invest in new ideas and citizen centred solutions.

There is a great opportunity to use the potential efficiency and outcome gains from adopting a place-based approach to procurement to influence and upskill our politicians and decision makers.



*“There is a fragmented structure and lack of focus by leaders on the place agenda, leading to many blockers to change. At the Connected Cities Catapult we are providing the air cover to enable different solutions to be tried.”*

**Sam Markey, head of executive office, Connected Places Catapult**

A great example is the Smart Belfast model<sup>2</sup> which enables the city to use around £250m of inward investment to attract and generate some £250m of private investment into local infrastructure and amenities to transform the community.

Of course, the key for public sector leaders and their private sector partners is to identify and prioritise the right opportunities; to invest in the policies and solutions that will meet not just political objectives but also deliver on the issues that matter to citizens. Technology can assist with this communication process and programmes such as the recently trialled Changify app ([www.changify.org/](http://www.changify.org/)) have demonstrated how local ideas and policies can be prioritised to align with the community need.

*“We need to provide the case for doing things differently by creating a conversation between the citizens and the deliverer. There is a challenge to find the business model to help to roll out innovative ideas but also allow authorities to prioritise areas for action through real citizen feedback – good and bad.”*

**Mark Saunders, Director of the Centre of Excellence for Cities, Ferrovial Services**

Local authority strengths	Local authority weaknesses
Flexibility and ability to cope with different models	Lack of willingness or confidence to try new things
Collaborative – used to working in teams	Inconsistent specification across service delivery
Familiarity with community problems/concerns	No consistent procurement models
Understanding of efficient delivery	Unpredictable local political influence on decisions
Established delivery processes	Identification of priorities and outcomes not clear
Good skills, experience and skills sharing	Cost of procurement is high
Focused on delivering value for money	Unrealistic expectations
Transparency in commissioning and delivery	Barriers to entry are too high

<sup>2</sup><https://smartbelfast.city/>



### Points to consider

- Adopting new procurement models can promote more agile and innovative solutions across the public sector
- Supplier enabled innovation holds the key to boosting value from public investment
- Strong top down leadership across the industry can overcome risk aversion and transform outcomes
- Strategic use of technology and data driven decisions will radically change the delivery and management of future place-based services
- Innovation can be targeted towards improvement in citizen requirements
- Examples from outside the UK show how alternative procurement models can be effective in delivering greater social value
- Outcome-based procurement is already proven to add value to public services

## Identifying the solutions

Any new procurement model must get the basics right – with the desired outcomes identified that then both encourages and enables the supply chain to bring forward innovative solutions and drives greater value through the procurement process.

Of course, procurement options such as Competitive Dialogue, which allows bidders to develop proposals in response to outline client requirements, and more recently Innovative Partnerships, which allows more than one party to be worked with during the procurement process, are already available to help commissioners to more effectively explore better and longer-term outcomes from investment.

Output-based commissioning is already mainstream across local government with 72% of local authorities using such policies to procure across social care and health. For place-based services, this approach remains problematic. It is difficult to deliver strategic, cost cutting outcomes due to fragmented delivery supply chains, short term focus of politicians and siloed budgets.

*“Why focus on outcomes? Because they give bigger longer-term impact, deliver the best use of money and provide a “North Star” to guide commissioning and delivery teams.”*

*Tanyah Hameed, Government Outcomes Lab (GO Lab), Oxford University*

Analysing what is stopping change to embrace such ideas and what is needed to make this change happen, identified a number of very simple interventions that can help commissioners to transform place-based procurements:

The key when embracing this change is to match any new procurement process to the needs of both the commissioning authority and the citizens that it serves.

*“Get the basics right and get the process right. Specify outcomes and simplify procurement and documentation to enable a wider pool of firms to engage.”*

*Claire Gammage, Senior Associate, Bird & Bird*



### What is **stopping** change?

Not enough time spent testing and learning new procurement models

The fear / cost of failure and lack of incentive can prevent new ideas from being championed

Insufficient technical skills and experience to take on change

Risk aversion and lack of ambition

### What is needed to **make change happen**?

Think big - tap into the resources and skills of Local Enterprise

Partnerships (LEPs) and combined authorities to help delivery larger scale strategic outcomes

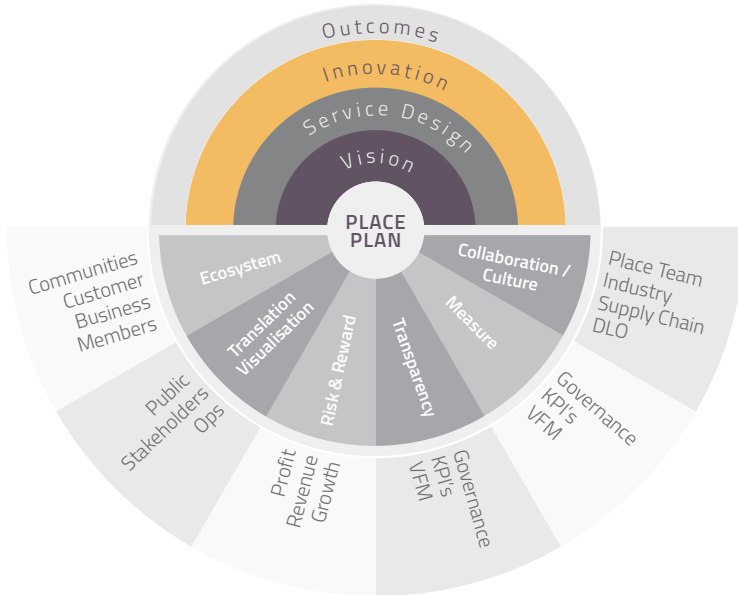
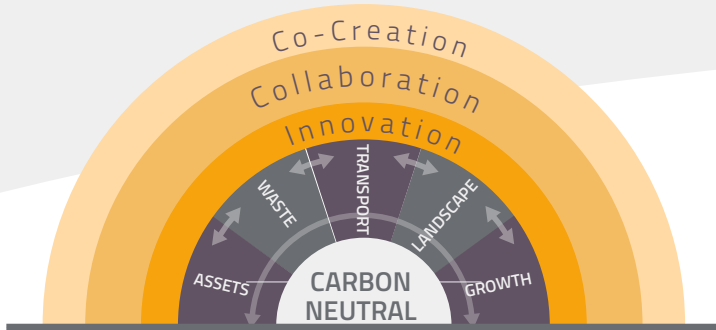
Invest in training and learning

Share experience and expertise between local authority teams

Invest time and energy in peer challenge to test and learn from experience and evaluating against strategic objectives

Structure teams to make change infectious and the norm

Start small and make it work one step at a time – seeking and logging evidence of success along the way



## FEEDING GROWTH

Culture Relationship Building Trust Early Action Collective Leadership	Flexibility New Procurement Models Clarity Standards Transparency	Innovation Investment Right Solution Diversity of Supply Voice of Citizen
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## What would great look like?

- The cohort was split to three groups to define what their response to the problem statement was at the end of the day
- They all used diagrams to articulate their thinking on what a new business model should look like in response to the problem statement and debate during the day

### Must haves for a successful place-based procurement model

- Adopt and embrace a collaborative and partnership culture
- Allow procurement to drive innovation and outcomes
- Identify and prioritise the challenges and outcomes
- Eliminate boundaries between geographical areas and authorities
- Encourage SMEs to engage with the procurement process
- Establish universally understood delivery standards across place-based services

### Common themes emerging from all three models

- Need a clear strategic commissioning plan (SCP) for the place that is well evidenced and co-produced with all local stakeholders including business
- The SCP would set clear collective vision for the place and ambitious social/economic/environmental outcomes for the place - these would vary according to place needs – but always underwritten by citizen needs
- The procurement of specific service portfolios would be scoped and negotiated to hit strategic outcomes perhaps blended with more traditional service based outcomes but as 'place jigsaw pieces'
- Clarity of purpose for place would enable other agencies plans to tie in with strategic outcomes, for example, VCS, LEPs, health
- To achieve this outcome based approach would require a step change in collaboration, commissioning, evidence capture and skills

## What next?

- A thought leadership article to be produced from this summary for the cohort to share
- ADEPT to promote via website and newsletter
- Article in local government general and technical press
- Inject into the work of others e.g. Highways Sector Deal thinking, GO Lab research, collaboration between Catapult/LGA on commissioning
- To do more work on developing the ideas into a prototype outcomes based contractual framework

### **Next steps:**

Next session; **17th January 2020**,  
on Green Finance and Investments