Commercial & Transformation Governance

Agenda

- Establishing overall commercial governance

- Building in Innovation into the process

- How it fits together

- Areas for consideration

COMMERCIAL GOVERNANCE

V4

Why is it needed?

- '**Step change**' in the commercial behaviour of staff and be an integral part of the organisational development programme of the organisation, specifically with respect to understanding and defining needs, deciding on priorities and designing services to meet priorities, sourcing and management of third party suppliers and generation of external income.

- Ensure that the organisation's commercial activity is focused upon the delivery of its objectives, including **financial, service and social outcomes**.

- Ensure **decision-making is based upon appropriate use of existing data, future projections** and other evidence and with an emphasis upon outcomes rather than inputs.

- Champion and embed commercial governance, compliance and discipline throughout the organisation through development of commercial **skills and competencies, talent management and succession planning**.

- To provide a system of '**go/no-go' decision points and authorisation** for the approval and delivery of projects with a commercial emphasis.

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Stop the 'rush to spend money'

■ CONSISTENCY ■ CREDIBILITY ■ TRUST

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What should it cover?

Commissioning decisions	Procurement activity	Contract and supplier management
Internal and external demand management	Income generation through commercial activity and trading	Risk management

Core Capabilities required

Gateway Management	On Demand Resource	Strategic Direction	New EU Regulations
Toolkits Commissioning Contract management Innovation	Alternative Delivery Vehicles for public services	Market Engagement, Market Development (Early market engagement)	Business Case development
Corporate Intelligent Client development	Data analysis/ Intelligence based decision making	Commercial Skills development (Negotiation, Contract management)	Income generation
Commercial Operations Management	**Social Value**	Benchmarking	Benefits Realisation

Shifting the balance of commercial activity

Early focus of activity, through:
- Early Market Engagement
- Commissioning Toolkit
- Commercially astute teams

Design and implement key tools:
- SEP
- Contract management toolkit

Procurement Process

Before going to market

Contract and supplier management

Developing requirements that shape markets and the supply base to Government

Simplifying process and reducing turnaround times & supplier bid costs

Improving contract and supplier management capability through application of new standards

Focus on early involvement to drive:
- Outcome based specifications
- Alternative deliver models
- Social Value benefits

How does it operate?

System of "Mandates" brought to and agreed by a Commercial Board:

- Responsibility for bringing mandates or outline project briefs will reside with Directors and Service Heads and must become part of the culture of the organisation

- Identification and agreement on priority areas for review from forward plan of existing contracts due for renewal over next 18 months as well as from other known future projects
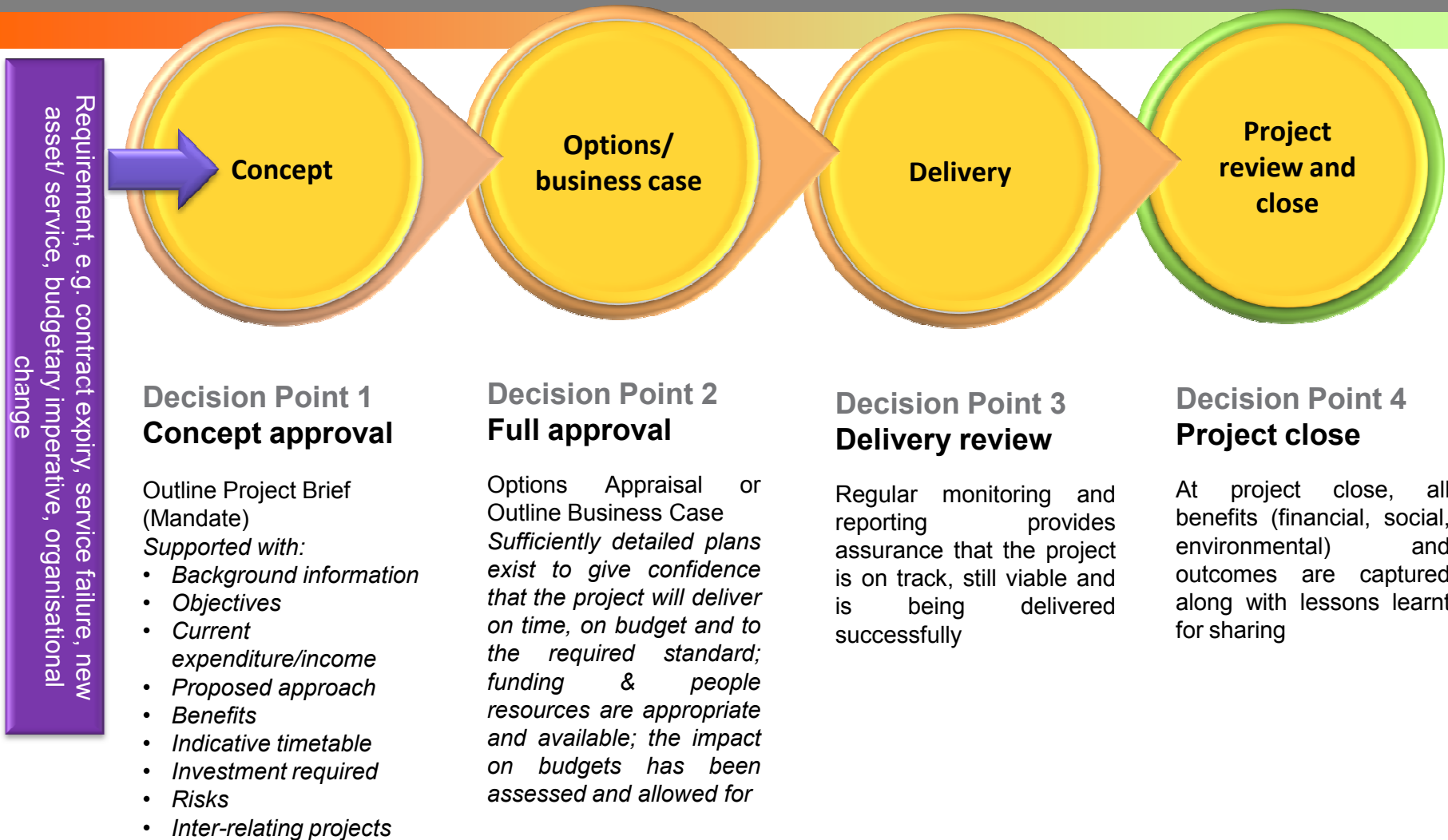
Examples of what Mandates can cover are as follows:

- Agreement to commence a specific procurement activity, following an appraisal and assessment of the most appropriate solution, and seeking resource where appropriate.

- Agreement to undertake a detailed option appraisal and review in respect of a major category or complex area of commissioning and sourcing.

- Approval of a strategy for cross-departmental items of related spend ('categories').

- Agreement to undertake specific actions in relation to contract management, supplier engagement or implementation of demand management controls.

- Approval of business cases and business plans in respect of specific commercial activity, including external trading and income generation from changing the use of specific Council assets and/or establishment of specific legal delivery vehicles.

- Development and roll out of commercial and procurement toolkits and training and development activity.

Commercial & Transformation Governance

Requirement, e.g. contract expiry, service failure, new asset/ service, budgetary imperative, organisational change

Concept

Options/ business case

Delivery

Project review and close

Decision Point 1
Concept approval

Outline Project Brief (Mandate)
Supported with:
- *Background information*
- *Objectives*
- *Current expenditure/income*
- *Proposed approach*
- *Benefits*
- *Indicative timetable*
- *Investment required*
- *Risks*
- *Inter-relating projects*

Decision Point 2
Full approval

Options Appraisal or Outline Business Case
Sufficiently detailed plans exist to give confidence that the project will deliver on time, on budget and to the required standard; funding & people resources are appropriate and available; the impact on budgets has been assessed and allowed for

Decision Point 3
Delivery review

Regular monitoring and reporting provides assurance that the project is on track, still viable and is being delivered successfully

Decision Point 4
Project close

At project close, all benefits (financial, social, environmental) and outcomes are captured along with lessons learnt for sharing

Scenario 1: Standard Procurement within Category (Example - Office Supplies)

Analysis of 'as is'
- Total spend
- Spend per FTE
- Spend by item group
- Spend by Dept.
- Current contract (terms)
- Current supplier
- Ordering responsibilities
- No. of offices
- Storage
- Quality/ service levels
- Contract management arrangements
- Trends in demand
- Supplier base/ market

The Challenge
- Cost/FTE
- Demand management

Internal stakeholder engagement
- PA's/ Business Support
- Review internal processes & controls
- 'Buy in' for change

Market engagement
- Brief/ challenge
- Alternative models (e.g. managed service)
- Incentivisation for reducing demand/ cost
- Billing/ payment opportunities
- Social benefits (employment, training, local supply chain etc.)

Pre-procurement business case to Commercial Board

- Analysis
- Options appraisal
- Objectives/ strategic fit
- Service scope/ package
- Procurement route
- Key evaluation criteria
- Risks and mitigation

Scenario 2: Demand Management/ Contract Management (Example – SEN & Social Care Transport)

Analysis of 'as is'

Number of service users
- Age
- Client group
- Number and frequency of journeys
- Length of journeys
- Assessments of need

Providers
- Number of suppliers
- No. of contracts and annual spend by supplier
- Analysis of pricing/ differentials
- In-house fleet and drivers

Market dynamics
- Trends in pricing and expenditure with suppliers
- Shortfalls in provision
- Levels of competition/ participation/ consolidation

Trends in demand
- Impact of service/ policy changes

Opportunity identification

Independent travel training (ITT)

Clarity/ revision of eligibility (Adults, LAC)

Consolidation of transport requirements (e.g. Total Transport Project)

Utilisation of in-house fleet

Cost recovery (e.g.from day centres)

Initial mandate to Commercial Board

Authority from Board to pursue:

- Independent Travel Training (pilot)

- Revision/ clarification of eligibility policy

- Current Total Transport project

- Review of in-house fleet

Implementation

ITT Pilot

Contract renegotiation

Eligibility policy & assessments

In-house review

Monitoring by Commercial Board

Compliance with mandate

Realisation of benefits

Lessons learned

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Scenario 3: Complex Procurement/ Category Strategy (Example – Facilities Management)

Initial Mandate to Commercial Board
- High level 'as is'/ challenge
- Mandate to review & resource options appraisal

Analysis of 'as is'
- Total spend
- No./ area/ usage of public buildings
- Spend per FTE/ sq. m
- Spend by subcategory
- Spend by supplier
- Spend by Dept.
- Spend by building
- Current contracts (terms)
- Current suppliers
- Ordering responsibilities
- No. of offices
- Storage
- Quality/ service levels
- Contract management arrangements
- Trends in demand
- Supplier base/ market

The Challenge

-Multiple contracts

-Some quality and price concerns

-Demand management

-Aggregation

-Supervision

-Impact of changing estate

-Local supply chain

Internal stakeholder engagement
- Premises Managers Business Support
- User groups

Market engagement
- Brief/ challenge
- Alternative models (e.g. total FM, lead contractor, Lots etc.)
- Incentivisation for reducing demand/ cost
- Billing/ payment opportunities
- Social benefits (employment, training, local supply chain etc.)

Pre-procurement business case to Commercial Board

- Analysis
- Options appraisal
- Objectives/ strategic fit
- Service scope/ package
- Procurement route
- Key evaluation criteria
- Risks and mitigation
- Procurement costs/ budget/ resources
- Project Plan

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Scenario 4: Income Generation Opportunity (Example – School Support Services)

Analysis of current activity
- Total value of services provided to schools
- Breakdown of service type, customer type, location
- Fixed fee/ ad hoc/ SLA
- Cost of provision/ staffing
- Profitability

Current market
- Wins/ losses
- Customer Feedback
- Changes in requirements (academies, budgets)

Competitor Analysis
- Competitors
- Services provided
- Commercial models
- How do neighbouring LEAs provide support services

Initial Mandate/ Strategic Business Case to Commercial Board
- Extent of opportunity
- Options available
- Potential benefits, costs and risks
- Approval to invest in developing Outline Business Case/ Business Plan

Market
- Key services/ propositions
- Target market (academies, LEA, other areas etc.)

Financial
- Costing & pricing of services
- Projections

Business Development
- Approach to and costs of generating business
- Routes to markets

Organisational
- Structure & skills
- Is new legal entity required

Risk management

Detailed Business Case to Commercial Board
- Business Case
- Business Plan
- Recommendations to GPC
- Costs and risks of implementation

INNOVATION

Key principles

- No one size fits all
- Outcomes not inputs
- Early intervention
- Working to common process
- Safe, cost effective environment to test impact of interventions
- Market segmentation
- Data, data, data – data has to be accurate and relevant so it can be used to drive sound decision making
- Take account of projected future changes in demand and likely changes in the market due to innovation (don't base decisions on yesterdays data!)
- Driving innovation does not mean reinventing the wheel – market scanning is key – what is working elsewhere in the UK/ globally
- Solutions tested can be rolled out (step by step)
- Leverage new EU regulations in support of innovation – e.g. Innovation Partnership Procedure

Examples of problems we may be looking to solve

- Looked After Children
- "Happy and healthy"
- Stress management/ mental health
- Teenage obesity
- Smoking cessation
- Drugs and alcohol
- Elderly isolation
- Reablement
- Falls prevention
- Medicine management
- Dementia care
- Teenage pregnancy
- Diversion from A&E services
- Early presentation of cancer/ reducing mortality rates

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What is innovation?

Explore opportunities and challenges
- Evidence gathering, insight, mapping, horizon scanning

Generate ideas
- 'Workshopping', call to innovation

Develop and test solutions
- Product development, modelling, evaluation

Make the case
- Market development, quantify outcomes, cost/benefit

Delivery and implementation
- Policy, programme and organisational design

Growth and scaling
- Dissemination, business growth, licensing, market development

Changing systems
- Networks, markets, technology

What is an Innovation Hub?

- Partnership between key organisations
  - County Council
  - District Councils
  - CCG
  - NHS Acute & Community Trusts/ Teaching Hospital
  - Voluntary sector
  - Police/ Probation
  - Local universities
- Working together to:
  - Define challenges/ problems to solve
  - Review data and evidence
  - Identify new and innovative solutions
  - Inform and support the commissioning process through supporting market and service development

Taking the Hub forward: a Pilot approach

Establish the 'machinery'
- Partnership
- Methodology
- Governance
- Data observatory

Agree Priorities
- Initial 'challenges' to resolve (e.g. teenage obesity, elderly isolation etc.)

Data and evidence collation
- Current data (JSNA, Market Position Statement, Better Care social insight,)
- Horizon-scanning on innovative practice
- Potential need for 'segmentation' of approaches

Identify potential solutions
- Workshop with partners
- Initial evaluation of pros/ cons and shortlist of opportunities
- Assessment of existing potential within the local market

Informing commissioning
- Agree lead commissioning partner
- Identify next steps for market engagement and development strategy
- Funding opportunities (e.g. Better Care Fund)
- Potential procurement approach/ opportunities (EU regs)

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HOW DOES THIS FIT TOGETHER?

How does it link together?

Innovation Hub	Commercial Board	Transformation Programme

Initial mandate – 'challenge'

Investigate options/ recommendations

Mandate to approve commissioning and procurement approach

Monitor delivery & benefits realisation
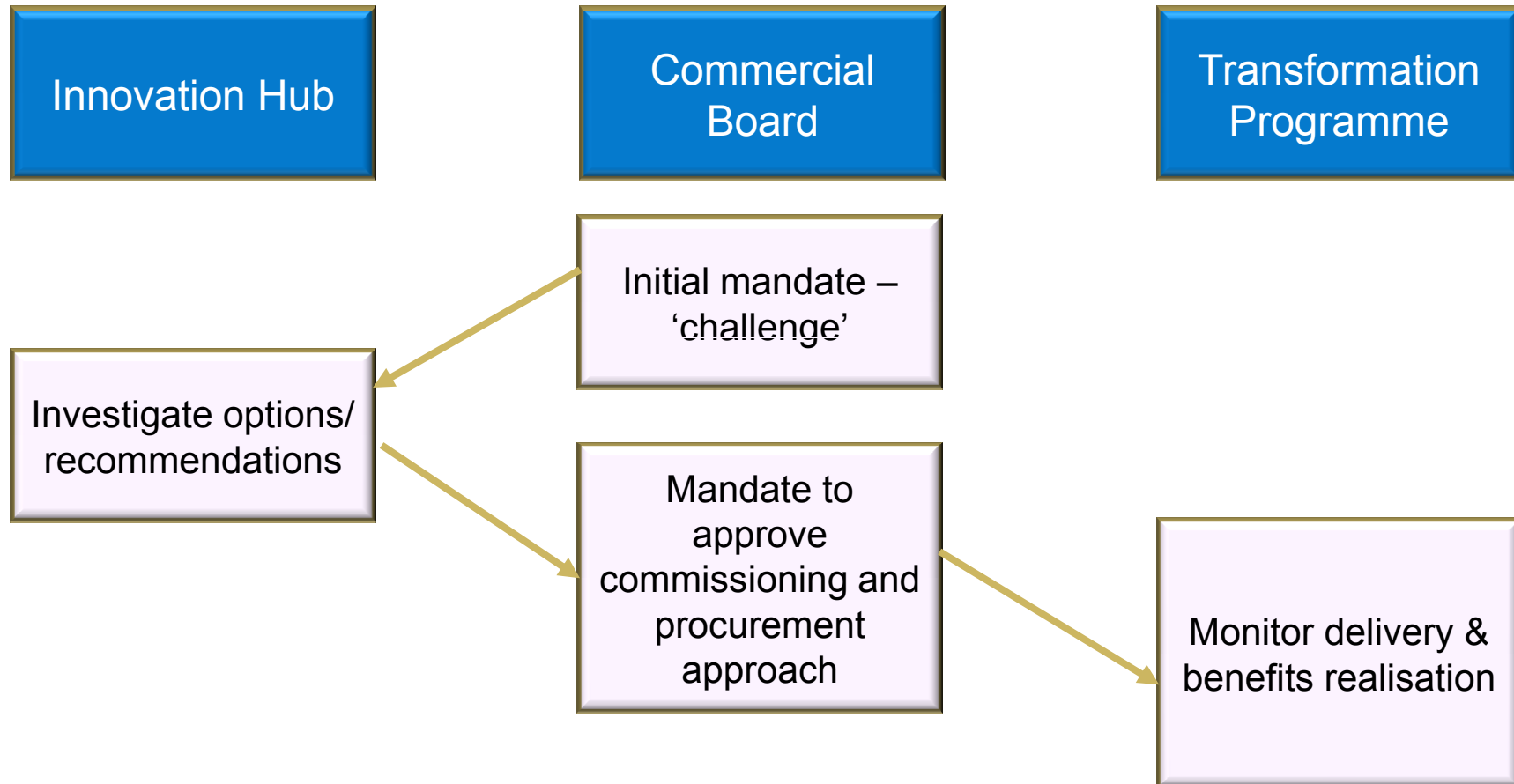
p4   Need to show where the Committee system of approvals fits it
pwhite, 29/07/2016

Areas for consideration

- Linking the Commercial Governance with the Transformation Programme Governance
  - Delivery
  - Idea generation
  - Single set of documents as far as possible to reduce duplication (link to Business Case templates)
- Encouraging ideas from the organisation
  - Initial 'triage' before Mandate to Commercial Board
- Linkages to capital and ICT investment decisions
- Transformation proposals that may not initially appear to be "commissioning" but can still be taken through process (e.g. customer access)?
- Delegation/ Authority/ role of Members (existing requirement for Business Cases to be approved by GPC and other relevant Committees)?
- Membership – appropriate skills/ roles
- Ensure the process is visible/ transparent to all stakeholders