



HOUSE OF LORDS

PUBLIC SERVICES COMMITTEE

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Rt Hon Michael Gove MP
Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office
Cabinet Office
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11 February 2021

Dear Michael,

Procurement and public services

I am writing to you as Chair of the House of Lords Public Services Committee, in your capacity as the Minister responsible for the Procurement Green Paper.

The COVID-19 pandemic encouraged important innovations in the way that public services are procured and commissioned in the UK. In the Committee's first report, published in November last year, we called on the Government to ensure that these gains are maintained. We are yet to receive a response to our report.

We held an evidence session on 13 January 2021 to take stock of lessons learnt, and to gauge witnesses' perspectives on the recently published Procurement Green Paper. Our witnesses came from the National Audit Office (NAO), the Confederation of British Industry (CBI), Lloyds Bank Foundation and Children England.

We are concerned that the Green Paper fails to embed the greater emphasis on social value permitted by the commissioning guidance that was introduced last year. The proposals contained in the Green Paper do not recognise that high-quality public services require a commissioning approach that gives a central role to charities, local authorities and service users, and which provides small organisations with the funding that they need to carry out their important work.

The Procurement Green Paper

- Social value

In our November report we underlined the importance of a focus on social value in commissioning, so that providers of public services can draw on the voluntary and community sectors. We commended the Cabinet Office for the “admirable flexibility” that it showed during the pandemic in issuing its new guidance, “which put greater emphasis on the social value that commissioning can create and gave greater autonomy to frontline service providers”.

Thom Thackray, Director of Infrastructure at the CBI, told us that the Green Paper represented an “opportunity for commissioners to prioritise social value”. Joshua Reddaway underlined how there should be “absolutely no tension between value for money and social value in Government procurement”. However Kathy Evans, Chief Executive of Children England, suggested that while her organisation’s members “appreciated social value”, they were “more often asked about added value”.

In general, our witnesses felt that there was a fundamental difference between the concept of social value in commissioning public services and added value in commercial purchases and infrastructure contracts. Yet they argued that the Procurement Green Paper erases the distinction between services delivered by charities or social enterprises and the procurement of goods from the private sector. The Green Paper therefore risks neglecting the needs of charities and social enterprises that provide services, and focuses largely on reforming private sector procurement.

The procurement of public services and the procurement of goods are treated as if they are the same. But, as Kathy Evans told us, the rules regulating a company “supplying crockery to Parliament” should not be equivalent to the “issues and procedures for procuring public services to people in Stoke”. She contended that it was “impossible to ask a single set of rules to give the right weighting and balance to each of those. There is an international market for crockery but there is no market for local befriending services for the elderly.” The Green Paper therefore “loses the distinction entirely between services delivered by people, for people, funded by people collectively through our taxes, and buying things.”

For Paul Streets, Chief Executive of the Lloyds Bank Foundation, the Green Paper is “a lost opportunity to overcome the challenges small and local charities have faced in commissioning over many years”. Traditionally, procurement processes are based on formal, transactional relationships involving competition between bidders. But procuring public services depends on flexible collaboration between commissioners and local services. Mr Streets concluded that while the Green Paper focuses on making competition between companies fairer, it “commercialises” social value.

Moreover, the approach adopted by the Green Paper precludes the involvement of service users in the design of services. Our witnesses underlined the important role played by charities in facilitating co-design. Paul Streets argued that the outcomes of public services provision should be determined by individuals who rely on those services, as they know best what support they need and how it should be delivered.

- 1. How will the Government prioritise social value in future commissioning guidance?**
- 2. Will the Government reconsider the Green Paper's approach to public services, which erases the distinction between commissioning public services and commissioning goods in the private sector?**
- 3. How will procurement guidance reflect the importance of involving users in the design of public services?**

- Commissioning at the local level

In evidence to the Committee's earlier inquiry, Paul Streets reported that strains on local authority funding in recent years had "disproportionately" affected the communities that were most in need of public services: 97% of spending cuts fell on councils with the "highest levels of need". "That will have financial implications for the charities relying on council funding and supporting people in those areas", he argued. Tom Thackray noted that councils' reduced spending power had led to "diminished" capacity to improve commissioning practices.

The focus on private sector procurement in the Green Paper therefore represents "an opportunity lost", Paul Streets told us. The Government should instead encourage cooperation between local authorities and charities. It should also ensure that smaller organisations benefit from longer-term commissioning agreements than those they receive at the moment, which prevent them from planning the delivery of high-quality public services.

- 4. How will the Government use the procurement framework to strengthen links between local authorities and charities in commissioning public services?**

- Commissioning for high-quality services

Our witnesses discussed the extent to which the Green Paper enables the level of flexibility in the commissioning of public services that was provided by last year's guidance. Kathy Evans suggested that even before last year regulations had permitted flexibility; what discouraged providers of public services to innovate was the "culture" surrounding procurement. They felt that there was a tendency to interpret and implement procurement rules in an overly cautious, risk-averse manner.

Witnesses also highlighted problems associated with the current commissioning funding model. They argued that grant funding allows for more greater flexibility, autonomy and room for innovation than is possible under fixed contracts. Kathy Evans suggested that grants offered quicker and "more streamlined" ways of working than procurement processes. She concluded: "contracting for innovation is like dancing to architecture."

- 5. What plans does the Government have to make greater use of grant funding for providers of public services?**

I am copying this letter to the Secretary of State for Health and Social Care, Rt Hon Matt Hancock MP, the Secretary of State for Education, Rt Hon Gavin Williamson CBE MP, and the Secretary of State for Housing, Communities and Local Government, Rt Hon Robert Jenrick MP.

We look forward to receiving your response as soon as possible.

Yours sincerely,

A handwritten signature in black ink, reading "Hilary Armstrong". The signature is written in a cursive style with a large initial 'H' and a long, sweeping tail on the 'g'.

Rt Hon Baroness Armstrong of Hill Top
Chair, House of Lords Public Services Committee