Annex 1 Appendix 1

Strategic Procurement Decision Toolkit (DRAFT)

Service provision can be represented as a continuum with 6 broad options:-

Cease   In-House   Mixed Market   Partnership   Market Testing   Outsource

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This toolkit is to be used during Best Value, Scrutiny or other reviews to help determine whether alternative service delivery options are appropriate. Any proposals which may emerge to outsource strategic areas of work need to be carefully evaluated in terms of the need to retain a level of resource internally to manage contracts, direct strategy, and retain long term organisational "memory" – an approach to assessing some of these risks is outlined in Appendix 2.

The basic principle required to be adopted is stated in statutory guidance:-

> Services should not be delivered directly if other more efficient and effective means are available. Retaining work in-house will therefore only be justified where the Authority can show it is competitive with the best alternative. An Authority will determine this in accordance with its procurement strategy and evaluation policy, but where there is a developed supply market this will most often be through fair and open competition.

Partnerships

Defined by DETR in 1999 as "a local authority partnership is a process in which a local authority works together with partners to achieve better outcomes for the local community, as measured by the needs of the local stakeholders, and involves bringing together or making better use of resources. This working together requires the development of a commitment to a shared agenda, effective leadership, a respect for the needs of partners, and a plan for the contributions/benefits of all partners". The 2006 White Paper "Strong and Prosperous Communities" further encourages this approach.

The relatively small size of the Authority's contracts and services makes the Private Finance Initiative highly unlikely: however other more flexible partnering initiatives may be appropriate for larger scale procurement and the formality of their structures varies according to the nature of the collaboration.

The precise contract "vehicle" for each partnership needs to be carefully evaluated as the regulatory regimes are many and complex. Most partnerships, especially between public sector bodies, can rely on their own regulatory mechanisms and a majority of efficient joint working takes the form of joint committees, joint boards or just pooled budgets. Where there is a greater need for independence, involvement of the private or voluntary sector and a mix of corporate structures company or charitable trust structures may be more appropriate.

"Strategic" Partnerships
Usually a series of projects; large scale, long term, with a variety of services. Vehicles include Public Private Partnerships (PPP's) and Joint Venture Companies. PPP's are established via legal contracts with the private sector who participate more directly in service delivery by investing in assets and operating them, with returns over a longer term period.

The regulation of different structures is governed by statute in the Local Authorities (Companies) Act and more recently the Local Government Act 2003; further developments are likely as government policy develops. The Authority uses the CJC/CIPFA guide "Choosing Partnership Vehicles" to help inform its decisions currently.

CHECKLIST

For the service reviewed, go through each of the 6 options below and circle either the tick or cross as appropriate. A majority of ticks or crosses tend to confirm / rule out the Option; with a final judgement being applied in the Conclusion box, together with any relevant notes or evidence.

Option1: Cease service in Whole or Part

Is the service mandatory	✓	x
Evidence of continued strong need or demand for service	✓	x
Do the public benefits outweigh the public cost and justify govt expenditure	✓	x
There are no other service providers or markets to satisfactorily meet the demand	✓	x
Is the service a high priority	✓	x
Does the service have good prospects of improvement in the next 5 years	✓	x

<u>**Conclusion: Cessation**</u>

Option2: Full In-House Service

Low risk approach required to a significant core service with high impact of service failure	✓	x
Service is a good performer in benchmarking terms	✓	x
There is no ready supplier market or cost of building that capacity is too high	✓	x
The cost of outsourcing exercise is unviable	✓	x
Flexibility required	✓	x
Unaffordable or unsustainable capital investment is not required	✓	x
Service is not easy to specify and manage over a reasonable term	✓	x
Service has strong inter-dependencies and linkages with other services	✓	x

Conclusion: Full In-House service

Option3: Mixed Economy approach

Diverse or discrete activities and different solutions for each activity can be identified	✓	x
Some excellent in-house service areas	✓	x
External suppliers better able to supplement chosen activity areas rather than compete in all service activity	✓	x
The peaks and troughs are severe and suggest the need for flexibility to accommodate the extremes of activity	✓	x
Costs in managing larger number of suppliers are not high	✓	x
External providers in discrete areas can provide professional services more cost effectively either by technological or specialist expertise	✓	x

Conclusion: Mixed Economy approach

Option4: Market Testing approach

Merits are evenly balanced between internal and external supplier and the in-house service has a prospect of winning (ie should be invited to tender)	✓	x
Internal investment is within benchmarking limits (ie an in-house bid is viable)	✓	x
There is an active competitive market without over capacity for the foreseeable future	✓	x
There is a real will to externalise the service not merely benchmark it	✓	x
There is no overriding policy or risk issue why the service should be retained in-house	✓	x

Conclusion: Market Testing approach

Option5: Public/Private Partnership or Collaboration with other bodies

High level of capital investment required	✓	x
Change and innovation clearly available with partner and not realisable in-house	✓	x
There is a mutual objective and understanding and accountability/ any loss of control can be agreed upon	✓	x
There are similar organisational requirements / bodies providing similar services in the area with interest in or capacity for joint working	✓	x
Economies of scale possible reducing revenue impact	✓	x
Initial setup costs or ongoing costs of maintaining partnership structures do not outweigh value for money improvements over the longer term	✓	x
There is an ability to plan and specify requirements adequately over the long term with reasonable certainty that changes will not be significant	✓	x

Conclusion: Partnership / Collaboration

Option6: Full Outsourcing

There is no statutory reason or performance/conflict of interest barrier preventing the transfer of the service	✓	x
The in-house service has continuing poor performance and is incapable of demonstrating best value in the next 5 years	✓	x
The need for capital investment is unreasonable and resources are not available to build to required capacity	✓	x
An independent entity could be created cost effectively	✓	x
Economies of scale can be achieved by contractors providing similar services to a wider range of customers and these economies of scale are not available to the Authority	✓	x
Transfer of management of these services would enable the Authority to redirect resources to core functions after taking account of client mgt requirements	✓	x
The need for specialist capacity is outside the scope of the Authority to provide or would take too long to develop internally (eg recruitment difficulties)	✓	x
There are significant peaks and troughs of work incapable of being accommodated in-house	✓	x

There is not a monopoly supplier able to distort market prices in the future	✓	x
There is a clear client – contractor relationship and the service is easy to specify and monitor	✓	x

Conclusion: Full Outsourcing