

Appendix 1: Sourcing Policy

Introduction

In line with the “Insourcing First Motion” agreed by the Council on 1st February 2023, this policy provides guidance for Contract Managers to apply in developing a Delivery Model Assessment for the Council’s Major Contracts and sets out how the council considers the most appropriate delivery model when commissioning services, whether they are existing services that need to be recommissioned, or brand-new commissions.

Services can be delivered in several different ways including being delivered 'in-house' by a Directorate of the Council, through an arms-length body, through an external provider, or through a joint venture. The most appropriate model will vary depending on the commission.

Manchester City Council has a long history of using different delivery models and changing delivery models where appropriate. This continues today with a variety of the delivery models utilised.

This policy has been developed drawing on good practice and the national government’s recommended approach. The policy aims to promote good value for money through an objective assessment of key factors alongside an assessment of the associated costs of different delivery models.

Scope

This policy applies to the commissioning of services, including existing services which need to be re-commissioned, brand-new commissions and also to contracts that include provision for extensions.

The following services are out-of-scope of this policy because they will tend to have one feasible delivery model option, usually delivery by an external supplier(s) with the relevant expertise and regulatory infrastructure in place: ICT service contracts (e.g. licenses for Microsoft packages)

- Healthcare services (e.g. health visiting)
- Goods contracts
- Works contracts (e.g. construction) except highways works where Manchester Contracts could feasibly deliver.
- Concession contracts where the subject of the contract is the right to exploit an asset in return for a payment to the council
- Utilities contracts
- Coroners' services

The policy does not concern the appraisal of options for different *service* models, such as different options for supporting independence of residents receiving social care.

General principles

- Decisions on a recommended delivery model(s) should be based on what delivers good value for money for Manchester, looking at various factors including cost, quality factors (set out further below in this Policy) and social value and environmental factors.
- The design of future service commissions should involve objective consideration of the most appropriate delivery model, including delivery in-house.
- The level of consideration should be proportionate to the size and nature of the contract.
- Larger, more critical contracts – categorised as ‘gold contracts’ within the council are of particular interest and officers should demonstrate to the Major Contracts Review Board that an objective assessment has been undertaken, following the approach set out in this policy.
- Relevant expertise – internal and, if required, external – should be sought where necessary to support the consideration of delivery models. For example, HR, Finance and ICT advice should be sought on workforce implications, finance considerations and ICT implications respectively. These areas, whilst often only supporting elements to the main service under consideration, are usually critical to understand feasibility of different delivery model options.
- Delivery model assessments for larger contracts can be complex and require significant time to undertake a robust assessment therefore adequate time should be allowed to carry out the assessment and implement the agreed approach which may include a new procurement or an in-sourcing exercise.
- Implementation time for a change in delivery model will vary depending on the complexity of the contract, for example, if delivery of the service is dependent upon a business critical ICT system, premises or equipment that will take time to acquire.
- Continuation of the current delivery model might be the only option in the short-term, whilst the delivery model assessment takes place.
- Extension clauses in contracts should not be automatically activated. Options for future delivery models must be considered in advance of decisions to extend allowing the necessary time to implement a new model before expiry of the initial contract period.

Major Contracts

Consideration of delivery models should apply to all contracts but in keeping with the general principle of proportionality, all major contracts will undergo a dedicated delivery model assessment that will be brought to the Major Contracts Review Board for consideration in a timely manner.

Major contracts are identified by how critical they are to the council – gold being the most critical; bronze being least critical. Criticality is based on a combination of factors:

- value
- time to source an alternative contract if required

- impact of contract failure
- potential reputational risk to MCC from contract failure, and
- potential information or safeguarding considerations.

A toolkit has been developed to help guide contract managers on classification of contracts. Where there is some uncertainty as to whether a contract should be Gold or not, the Major Contracts Review Board will decide on the final classification supported by Integrated Commissioning and Procurement (IC&P).

Delivery Model Assessment

For gold contracts, Contract Managers should demonstrate that they have undertaken an objective assessment of delivery model options, following these steps:

1. **Define the service and identify delivery model options.** This step clarifies the key components of the service, the capabilities and assets required to deliver the service (e.g. ICT systems that are needed, any regulatory roles etc), and the potential delivery model options.
2. **Establish evaluation criteria for appraising delivery model options.** In addition to cost (see step 3) five standard criteria cover strategic fit, people and assets, service delivery (which should include assessment of the market, where external delivery is being considered), transition and mobilisation, and risk markets/suppliers. The project may consider any additional relevant criteria.
3. **Whole-life cost estimation of model options.**
4. **Assessment of models against the evaluation criteria and cost.** The assessment should also include social value and zero carbon consideration. Relevant tools such as 'PESTLE' and 'SWOT' analyses should be used where appropriate.
5. **Assessment of implementation timescales of each option**
6. **Contract Specific issues including consultation with residents/service users, where applicable, and Trade Unions**

In certain cases, there may only be one viable delivery model identified in step one. In these situations whilst the delivery model would not then be compared with alternatives, Contract Managers should still demonstrate understanding of the estimated whole-life costs (i.e. to inform the budget and, if the service is to be provided by an external organisation, provide a benchmark with which to compare pricing offers from bidders) and assess the model against the above considerations (i.e. implementation, risk etc).

The steps above are not purely sequential, and the delivery model assessment will usually be an iterative process, refining the assessment as more information becomes available.

Further detail on the main elements within each of these steps will be set out in separate guidance.

Governance

Delivery model assessments and accompanying recommendations for gold commissions must be taken to the Major Contracts Review Board for comment. After addressing any comments from the Board, the assessment should then be reviewed and agreed by:

- The relevant Chief Officer and the Deputy Chief Executive and City Treasurer, or by officers with delegated authority for making contract decisions (as set out in the Constitution) in consultation with the relevant Executive Member; and
- (where relevant) The Chief Executive and Senior Management Team.

Given the size and scale of the gold commissions the decision will likely be a Key Decision and should be included on the forward plan and dealt with accordingly. This includes any decisions to bring services in house as it represents a significant change in the use of the Council's resources.

In the case of continuation of outsourced contracts, the key decision is taken at the point in which the decision makers approve an award of a contract but the decision should be added to the Register of Key Decisions, where applicable, in advance of any commencement of procurement.