

Appendix 2: Accompanying Guidance for staff

Note: This guidance may be updated from time to time and supplemented by further tools and templates for undertaking the delivery model assessments.

Step 1: Defining the service and delivery model options

Contract Managers should:

- Set out the various service components involved – i.e. the functions and processes to be delivered by the service. It is critical to understand all key processes, including any management processes (e.g. quality control), management of subcontractors, software licences and hardware etc.
- Consider whether all the service components identified need to be delivered together by one organisation, or whether the service could be broken into smaller or specialist services. Breaking the service down into smaller parts could widen the number of potential organisations that could deliver the service, including small and medium-sized enterprises (SMEs).
- Identify the key capabilities and assets required - i.e. systems, physical assets, particular skills, any required regulatory registrations etc.
- Clarify the outcomes and desired outcomes that the service is to deliver. This should include social value and zero carbon considerations.
- Identify the potential delivery model options for the service. Typical options could include: in-house delivery, local authority trading company, establishment of a mutual, delivery by an external organisation, and a joint venture. Not all will be relevant to every contract. Note that, except for relatively small contracts, procurement regulations do not permit reserving contracts to particular types of organisation (such as VCSEs or SMEs).
- This should include all the processes the council will need to put in place to deliver that service under the different delivery models, this is particularly important if a service currently delivered externally were to be brought in-house, or an in house service be provided externally.

Step 2: Establish evaluation criteria

Five criteria are included as standard but officers may add further criteria if necessary:

- Strategic Fit, i.e. how well a given service delivery model aligns with the council's strategic priorities both in relation to the service's priorities but also in relation to wider priorities of Our Manchester, Making Manchester Fairer, the Net Zero 2038 ambition, social value etc
- People and assets – how well a delivery model is placed to provide the required capabilities and assets, as well as transition and implementation considerations (e.g. TUPE, real estate, ICT systems)
- Service Delivery – how well a delivery is suited to enable the service to flourish.
- Transition and mobilisation – how easily can the delivery model be transitioned to and set up?

- Risk. Identification of key risks and exposure to risk (e.g. how much risk can be shared).

To support the objectivity of the appraisal, the criteria should generally be weighted and scored. A default 20% per criterion is a reasonable starting point, but for some services certain elements, such as service delivery, may justify a higher weighting than others. In some cases, scoring may be less useful in reaching a recommendation – for example if the analysis shows that there may be just one or two critical factors which differentiate delivery model assessments. The key principle is that there is proper, objective consideration under the factors.

Step 3: Whole-life cost estimation

Typically this would involve a bottom-up estimation of costs (i.e. how many staff required, total payroll costs, how much capital investment required, what are the annual running costs etc), based on the service components identified in Step 1, along with benchmarking with similar services currently delivered on the market and any other relevant costing methodologies.

Consideration should also be given to cost of implementation. This is particularly important if a service were complex and to be brought in house and required a project team.

Care needs to be taken to understand the financial risks and required rates of return on investment. For example, if the council were to insource a large social care service, the risk of voids, enforced placement suspensions etc would need to be considered in the financial model.

Cost models should be approved by Finance and a cost modelling tool is to be developed to support the process. In the case of brand new services, the cost models will be relevant to the development of the business case for the new service.

Step 4: Assessment of models

In this step officers should appraise the different delivery model options against the evaluation criteria. Officers should be looking at which delivery model option delivers best value for money, taking to account the assessment against the evaluation criteria and the whole-life cost estimations. The information from Step 1 is a key input in steering the types of considerations that are relevant for each delivery model option. For example key questions could include those set out in Table 1 below but note these are illustrative and not exhaustive.

As part of the assessment there should be a comprehensive market analysis, both to understand the strengths and weaknesses of the external market, and also to inform the cost modelling referred to above. PESTLE and SWOT analyses may help with the analysis.

Table 1: Some illustrative considerations when assessing a delivery model option

Strategic Fit	<p>How well would the delivery model support MCC strategic priorities (including social value and zero carbon) for this service?</p> <p>Are there synergies and/or close working required between this service and other existing council services?</p> <p>Would this delivery model increase diversity of provision (which might be a strategic aim) or could it crowd out local organisations that might otherwise be in the frame?</p> <p>Would the delivery model help to drive innovation or advancements for the service?</p>
People and assets	<p>Are resources readily available under the delivery model to deliver the required services?</p> <p>To what extent will the Delivery Model require additional investment in capability development, training and knowledge transfer?</p> <p>To what extent will the Delivery Model require additional investment in other assets (e.g. ICT, office space)?</p> <p>How well can resources adapt/flex to meet changing need?</p> <p>What terms and conditions would staff be employed under in this Delivery Model? Will these be consistent with the GM Good Employment Charter? Will terms be appropriate for recruiting and motivating staff?</p> <p>What is the risk of key staff not transferring via TUPE?</p>
Service Delivery and Quality	<p>How well can the delivery model meet end-user (e.g. resident) needs?</p> <p>What is the organisational readiness under the delivery model to deliver the required service?</p> <p>How well developed is the market for this type of service?</p> <p>How would the service be delivered on the ground? What management arrangements are needed (both skills and performance management arrangements), or would new arrangements be needed?</p> <p>How would the delivery model drive improved performance / maintain high performance? What controls will the council have to take action in event of underperformance?</p> <p>How flexible is the delivery model to adapting to changing service requirements?</p>
Transition and mobilisation	<p>How well does the delivery model provide for continuity of service or service through any transition from current services?</p> <p>Does the service require significant business or cultural change?</p> <p>How strong is the mobilization and transition capability of those implementing and running this delivery model?</p>
Risk	<p>What are the key risks associated with the delivery model?</p> <p>What are the commercial risks involved, e.g. potential for cost variability or lower levels of cost control?</p> <p>What are the risks associated with the mobilization of the delivery model? This could for example be risks associated with the TUPE transfer of staff to the new model.</p>

	<p>How well placed is the delivery model for managing risks (e.g. managing increase in costs)?</p> <p>Is there a risk of being exposed if reliant on a single large provider under the Delivery Model?</p>
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Step 5 : Assessment of implementation timescales of each option

Each sourcing decision will have different lead in times which will form part of the implementation and may lead to a phased approach. For example a contract extension would require a shorter lead in time to a complex in source and this needs to be understood as part of the decision making process. A decision to in source may also therefore need to be accompanied by a decision to extend a contract for a short period whilst the preparations for in sourcing take place.

Step 6: Contract Specific issues including consultation with residents/service users (where applicable) and Trade Unions

Officers should collect a range of data to inform the assessment which will vary between contracts but is likely to include:

- Resident or end-user views, and feedback from staff, on the current service (if there is one) and desired outcomes for the future service, consistent with the Our Manchester approach.
- Current performance data (if there is an existing service in place). Officers should analyse reasons behind a well performing or underperforming service and in turn consider how a different delivery model may deliver any improvement.
- Market data – what services does the market provide and at what price? Information gathering could include (these are not exhaustive): soft market testing, conducted in accordance with procurement regulations; analysis of relevant industry reports; and research into similar services commissioned by other authorities.
- Advice from HR, Finance, ICT, Legal, Procurement (and any other teams as required). Technical issues like TUPE, pensions, system requirements are critical and can be a determining factor in assessing whether a delivery model option is feasible or recommended. Advice should be sought early on.
- External advice where required, particularly for more specialist services where the council has less experience of.
- Consultation with trade unions
- Advice and learning from other services in the council that have changed their delivery model.
- Relevant benchmarking data, e.g. benchmarking with other local authorities.