

***FRAMEWORK FOR THE CONSIDERATION OF
CORPORATE PROCUREMENT AND
OUTSOURCING***

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Corporate Outsourcing Strategy

Decision Framework Guidance Notes

The attached framework is intended as a tool to enable officers and/or members to assess the differential advantages and disadvantages of different options for future service delivery. In some cases this will be a decision about whether or not to outsource the service or to change procurement arrangements, in other cases it may be a decision about continuing or renewing an existing contract or bringing a service back in-house.

The framework provides a structured way in which judgements can be made about the various factors which affect a procurement decision. It does not replace the need for officers to use their expertise and experience to assess the significance and importance of these factors in each case.

The framework can be used to compare a series of different options or to give a quick impression of the viability of a single option. The framework is intended as a support to the decision making process not a decision making tool in itself. It may be that in some cases one factor is so important that it outweighs a seemingly negative score. Members and officers may therefore choose to continue with such an option but will be doing so with full knowledge.

Using the framework

1. The framework is a series of factors that need to be considered when looking at alternative options for service delivery. A series of possible options can be compared by filling in a separate framework to each option and comparing the graphs produced.
2. Work through the framework and give a score to each item. Where an issue is not relevant or the option being considered will have no effect it should be given a score of 0.
3. The overall “shape” of the graph indicates how desirable the option may be. Most scores to the right suggest a good option more to the left less good.
4. An option that scores well in some areas but less well in others may require re-working these particular aspects.

Decision Matrix

Option:	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	
PRIMARY FACTORS												
<i>Economy/ quality</i>												
Increased cost, complex management arrangements or contract management. Greater cost due to increased service.	•	•	•	•	•	•	•	•	•	•	•	Significant cost saving. Efficiencies from investment or e-commerce, smaller staffing requirement.
Decrease in service level or quality.	•	•	•	•	•	•	•	•	•	•	•	Step change in quality or effectiveness. Higher morale, customer focus, technical excellence, better equipment.
Danger of stagnation inflexible processes or contracts loss of partnerships and contacts.	•	•	•	•	•	•	•	•	•	•	•	New approaches, e-solutions, wider linkages, cutting edge research and intelligence.
<i>Investment</i>												
Investment in this service is vital now but not available through this option	•	•	•	•	•	•	•	•	•	•	•	Investment is vital now for the continuation of the service and the option being considered will provide it.
<i>Management/ skills</i>												
Worse than current arrangements, no expertise in this area likelihood of muddle.	•	•	•	•	•	•	•	•	•	•	•	Will significantly increase focus. Bleeding edge, "Best in class" clearer job focus for staff.
Current or predicted future problems will be made worse.	•	•	•	•	•	•	•	•	•	•	•	Significant improvement in staffing situation either through changed requirements, access to alternative employee pool or improved conditions.
Significant loss of organisational knowledge. Loss of key staff, erosion of skills, changed loyalties.	•	•	•	•	•	•	•	•	•	•	•	Opportunity to broaden and extend knowledge base available to the council.
<i>Market opportunities</i>												
Market rigour will cause decline in service quality or local responsiveness	•	•	•	•	•	•	•	•	•	•	•	Significant increase in income/ reduction in costs due to market opportunity.

<i>Risk Transfer</i>		
Organisational risks increased	Risk • • • • • • • • • • •	Potential to minimise/ transfer risk e.g. minimise financial fluctuation, pay for outcomes not inputs.
Service highly significant to the council and loss of control probable/ potentially problematic.	Control • • • • • • • • • • •	Better outcome for less hassle e.g. public profile law, reduces bureaucracy.
Future very uncertain, market/ legislative/ technological change likely. Arrangement means flexibility restricted e.g. long or highly specific input based contract.	Flexibility • • • • • • • • • • •	Future demand highly predictable, arrangement makes us “quick on our feet”.

Decision Matrix

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SHAPING FACTORS												
<i>Service grouping</i>												
Incompatible processes	Business Processes										Potential for streamlining orders, invoices, contact points can be minimised. Customers receive a co-ordinated service.	
Greater cost	Saving										Significant saving by grouping services in this way. Economies of scale, partnership arrangements.	
<i>Service improvement</i>												
Service will be less good. Current good service will be compromised.	Improvement potential										Step change. Current service poor and not improving. Alternative option will transform service.	
<i>Provider relationship</i>												
The provider has a poor relationship/ record with the council or other purchasers.	Relationship										Proposed provider has an existing relationship with the council which is good and provides excellent service.	
Danger of creating a Monopoly or Oligopoly, will close down the options available in the long-term.	Effect on market										Arrangement will widen the choice available to the council/ stimulate the market.	
Provider is unknown and cannot provide evidence of quality. Market very immature.	Track record										Provider has a strong proven track record, credible, respected, entrepreneurial.	
No additional value.	Value added										Provider can bring specialist skills, is "best of breed", wide contacts and access to resources.	
<i>E-commerce</i>												
Recipe for chaos.	Accessibility										Technology can give step change in customer access, co-ordination.	
Will stagnate	Innovation										Allows access to fast moving area.	

Political		
Important groups will not like this, Public protests likely.	Public/ consumers • • • • • • • • • •	A response to requests, will be welcomed by users & public.
Will alienate partners.	Partner organisations • • • • • • • • • •	A fully supported partnership.
Deliverability		
Outweighs savings, may be disturbance allowances, redundancy payments, new IT systems.	Implementation costs • • • • • • • • • •	Can save money from Day 1.
Millennia.	Timescale • • • • • • • • • •	Easy and quick.
Complex legal process/ contravenes statute.	Legality • • • • • • • • • •	Can be done within existing arrangements.
STAFFING		
Major disruption, degrades terms and conditions.	Conditions • • • • • • • • • •	Improves staff terms and conditions, flexibility.
Downgrades jobs, staff will hate it.	Career opportunities • • • • • • • • • •	Improved career structure/ training. Allows diversity and skill development.