

## Corporate Outsourcing Strategy

### *Introduction*

Constant review of service delivery is part of the council's ongoing performance management. One of the elements of that review is to consider how each service can best be provided – whether direct provision or an outside provider will be most effective. The purpose of a Corporate Outsourcing Strategy is to provide a framework for decisions:

- Whether or not services currently provided in house should be outsourced,
- Whether existing outsourced contracts should be renewed, refocused or services brought in house
- How services are best packaged and managed for contracting purposes.

### **Policy Framework**

In Hertfordshire the decision about whether or not to outsource a service will be considered separately for each case. There is not a dogmatic assumption that in house provision or outsourcing are necessarily the preferred option. Each case will be judged on its individual merits.

**When reviewing services we will consider outsourcing as one option. If or when a sound business case is made which demonstrates that the people of Hertfordshire will be better served by an external provider services will be contracted to the provider best able to meet the council's service objectives.**

### *Should Services be Outsourced?*

There may be some functions are so fundamental to the council that Members will never wish to outsource them. Members will need to make a decision on a case by case basis about whether there are some things that they do not wish even to consider.

### *Service Review*

Due to the constantly changing nature of the environment in which we work a decision to outsource or not which is right at one time can quickly become out of date. We will therefore review this option:

- Whenever a Best Value Review is carried out
- When contracts are due for renewal
- When changes in external factors (e.g. legislation, financing arrangements, market developments) suggest there may be an opportunity for improvement
- Regularly, through the service planning cycle, as part of the council's continuous improvement
- As an alternative to items in the capital programme

### *E-Commerce*

Constant review of outsourcing decisions is particularly important in the light of rapid developments in e-commerce. Review of the way that developments in e-commerce relate to the particular service under consideration should be an integral part of every service review and may affect an outsourcing decision either way. The market place may be able to offer innovations which the council cannot sustain itself but an outsourcing decision might equally be delayed while technological advances matures. The whole nature of a service might need to be redefined because of technological advances or cultural changes resulting from them so that outsourcing becomes irrelevant or needs to address a different set of criteria.

## **The Outsourcing Decision**

The Outsourcing decision tool (attached) can be used to weigh and balance all the factors below. If consideration of the primary factors does not indicate that there is a case for outsourcing the shaping factors don't need to be considered. Where the primary factors indicate that outsourcing is desirable the shaping factors will then shape the way outsourcing is approached. Consideration of the shaping factors may demonstrate that, though desirable, outsourcing is impractical.

### *Primary Factors*

The primary factors that will influence the construction of a business case for outsourcing a service are:

**Investment** - When new investment in a service is needed and an outside provider may be able to provide the opportunity

**Management Focus** - Where a service can be more effectively managed externally. This may be because recruitment and retention of staff, can be improved, because the providers business has a single focus, because of links to related services or for other reasons.

**Opening a Service to Market Opportunities** – Where an in house service can be enabled to market and sell its service

**Economy/Quality** - Where an equivalent service can be provided more cheaply or the with the same or improved quality by an external provider

**Transference of Risk** – the extent to which the council's risks can be managed/minimised through outsourcing

### *Shaping Factors*

**Control** – The extent of the need to retain control of a service will influence the decision about the level of in-house client retained, the level of prescription in a contract and the length of contract.

**Potential Benefit** – the larger the package and longer the term of a contract the greater is the potential financial benefit. This needs to be balanced against the risk of stagnation during a contract term and of closing down market diversity.

**Service Improvement** – In the past Hertfordshire has had a policy of ensuring that services are performing well before outsourcing them. However, outsourcing can be used as part of a programme of improvement.

**Strategic Contracting** – Strategic contracting aims to build a partnership approach whilst maintaining clear parameters based on outcomes. All those involved in any transaction are involved at the earliest opportunity enabling problems to be spotted and ironed out.

**Common Business Processes** – The existence of common business processes will affect a decision about the way that services are packaged together. Streamlining processes such as invoicing or adopting a “triage” approach to accessing services may deliver economies and other benefits which council structures do not allow.

**Alternative Models** – The nature of the service being considered may affect the type of contract entered into. The existence of voluntary sector partners may suggest a trust or partnership agreement is more appropriate in some circumstances for example.

**Maturity of the Market** - Contracting within an immature market can increase the organisation’s risks. If the market is immature it may be appropriate to delay and outsourcing decision or take on a short term contract and await developments

**Organisational Knowledge** – Outsourcing a service can hold the danger of losing organisational knowledge. Conversely effective sharing of knowledge with a contractor can increase the overall knowledge and skill base available to the council. Knowledge management is an increasingly important part of any organisation’s management capacity and hence an important factor in any outsourcing decision.

## How we do it

### Involvement and Treatment of Staff

Staff have a unique insight into the way that services operate and can often identify ways that they can be improved. We will consult with staff and take account of their views both in order to inform outsourcing decisions and to shape services once decisions have been made. Where outsourcing results in staff being transferred to other organisations we will make every effort to safeguard their interests, including using TUPE (Transfer of Undertakings for the Protection of Employees) legislation where it applies.

### The Outsourcing Process

The principles that guide the way outsourcing is done are part of the council's procurement strategy. These include:

- We will use competition to identify suppliers
- Use purchasing power to influence market development
- Maximise purchasing power and harness economies of scale through consortia
- Consider sustainability as an important criterion
- Seek Member approval for larger purchases or where the future of staff is affected
- Departments act corporately
- Management of contracts by appropriately skilled officers
- Active management against clear performance targets
- Requirement for adherence to standards of conduct for employees
- Ensure equal opportunity in dealings with suppliers
- Pay suppliers promptly