

## **Assuring Quality in the externalisation of services**

### **1. Introduction**

Following a request at the January meeting to explore risks associated with the externalisation of services Stephen McHale (County Procurement Manager) has prepared this paper to outline the Council’s approach to procurement, and how risk is effectively managed within it. The paper sets out how risks are managed to meet the challenge facing Oxfordshire County Council in promoting and securing good quality services. These risks apply equally to where a formal contract has been procured and increasingly where grants are used to enable successful outcomes for citizens from a diverse range of organisations.

Oxfordshire County Council has for many years undertaken the procurement of services from the external market. This has been across all Service areas from Highways through to Care Services. This level of expenditure is in excess of £400 million per annum. The County Council has a County Procurement Team and a procurement strategy to guide the procurement activity (see appendix 1). The strategy applies to all parts of the council and it sets out how we achieve good value for money using balanced criteria of quality and cost to award business to suppliers who offer the most economically advantageous tender.

The activity of the procurement teams is overseen by the Strategic Procurement Board chaired in recent times by Councillor Couchman.

### **2. Assuring Quality**

The principles underpinning the Council’s approach to strategic procurement include

- Assessment of need and best value in order to determine our approach to either in-house or external procurement to meet the needs identified
- The long term direction of travel based on Commissioning strategies within each Directorate
- The Council’s commitment to effectively managing the commissioning and procurement activities for example through the newly established Joint Commissioning team across S&CS and CEF.
- A much greater emphasis on contract management so that expected quality and performance levels and continuous improvement can be achieved.

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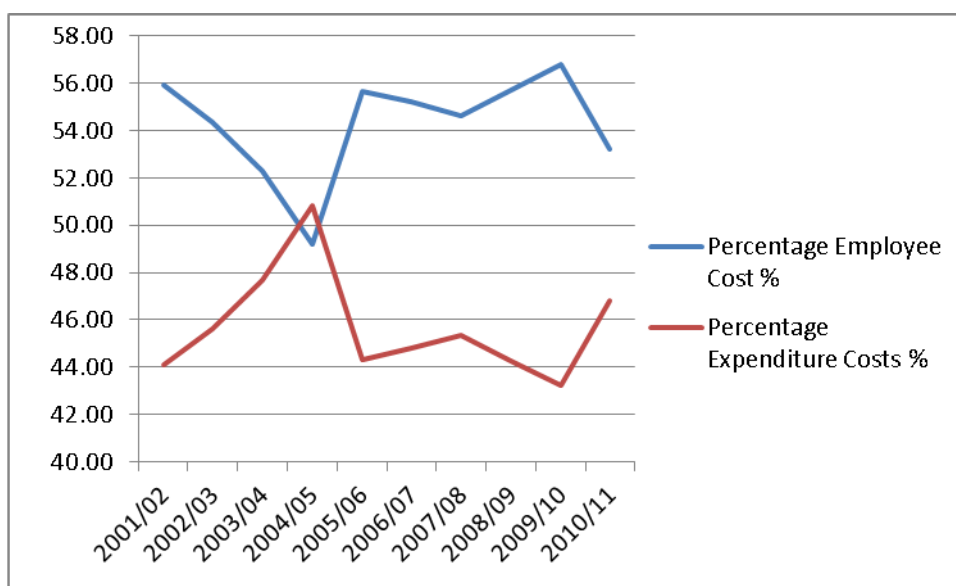
- Selecting the right provider or supplier following competitive tender processes in terms of cost and quality.

This is because the main challenges associated with any external service provision include

- Under or poor performance of the contract by the chosen supplier
- Service user or client needs change, and original specification is no longer appropriate
- Accountability – how we manage our legal responsibilities and accountabilities when services are no longer directly provided by us directly.

The table below shows how our total expenditure on staff and non-staff costs has been developing over the last decade. There has been a trend away from in-house provision to externally provided services during this time.

**Chart to show percentage of total expenditure represented staff and non-staff costs**



A major new factor that also needs to be taken into account when considering how best to decide on a procurement strategy is that of policy direction in the public sector. This may well encourage even greater use of external service provision in the future.

There is a strong trend towards greater diversification of provision, competition and choice for commissioners and the consumers of services. Most recently the Open Public Services White Paper, which promotes choice, decentralisation and diversification of public services, suggests providers could be held to account through a combination of mutually reinforcing choice, voice and transparency mechanisms.

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### 3. Contract Management

Contract Management has always been a key component of our risk management and officers monitor key suppliers from both a qualitative and financial stability aspect.

The snapshot table below, from our contracts database, shows the current top 50 contracts.

Title	Category	Start Date	End Date	Estimated Total Contract Value	Lead Contact	Supplier(s)
Oxfordshire Residual Waste Treatment & Disposal	Environment	10/03/2011	09/03/2040	£525,000,000	Frankie Upton	Viridor Oxfordshire Ltd
Provision of Highways and Transport Services	Works (Cons)	01/04/2010	31/03/2020	£400,000,000	Grant Caw	Atkins Limited
Residential Care Homes - OSJ (PJ9)	Social Comm	01/04/2001	31/03/2026	£100,000,000	Mark Jermolovs	Orders of St John's Care Trust
Learning Disability South Oxon Support	Social Comm	01/08/2008	31/07/2015	£85,000,000	Maxine Wray	Royal Mencap Society
Spot Contracts Residential	Social Comm	01/04/2007	29/02/2016	£79,941,000	County Council	Procurement Team
Learning Disability Specialist Health Services	Social Comm	01/01/2011	31/12/2015	£42,000,000	Lara From	Ridgeway NHS Partnership Trust
Integrated Construction and Property Remediation	Consultancy	01/04/2005	31/03/2015	£36,000,000	Neil Mounsey	Mouchel Parkman
Network Support & Development	ICT ~ Hardware	13/02/2002	31/03/2014	£35,000,000	Mark Winfield	Synetrix
Household Food & Garden Waste Treatment	Environment	01/04/2009	31/03/2029	£30,000,000	Andrew Phipps	Agrivert Ltd
Residential - Old Station House (PJ2)	Social Comm	14/04/1994	14/04/2019	£29,000,000	Laurence Smith	Servite Houses
Public Lighting Maintenance Service	Works (Cons)	11/12/2007	10/12/2013	£26,000,000	Grant Caw	Southern Electric Contracting
Framework Agreement for the Provision of Services	Social Comm	01/11/2009	01/11/2013	£25,000,000	Lara From	As Per Notes Below
Waste Disposal and/or Treatment In South Oxfordshire	Environment	28/09/2011	27/09/2014	£24,000,000	Mark Watkinson	WRG Waste Services Limited
Supported Living Service for Adults with Learning Disabilities	Social Comm	01/01/2011	31/12/2015	£23,300,000	Trish Thorpe	Ridgeway Partnership
Civil Parking Enforcement (PJ178)	Traffic Management	01/10/2008	30/09/2018	£20,000,000	Helen Croft	NCP Services Ltd
Landfill - Ardley Fields (PJ1)	Environment	01/01/1986	31/12/2013	£19,000,000	Rebecca Hirst	Viridor Waste Management Ltd
Provision of Supported Living Service for People with Learning Disabilities	Social Comm	01/01/2011	31/12/2015	£18,500,000	Trish Thorpe	Ridgeway Partnership
Hosted Service Provider (SAP) (S14)	ICT ~ Software	01/10/2002	30/09/2014	£18,000,000	Mike King	Serco Ltd
Multi-Disciplinary Property Services Framework	Consultancy	01/04/2010	31/03/2014	£16,000,000	Roger Dysart	As Per Notes Below:-
Unmetered electricity supply (UMS) for Council Buildings	Utilities (non)	01/11/2009	01/09/2013	£16,000,000	Peter Brown	NPower Ltd
Alert Service For Older People In Oxfordshire	Social Comm	01/04/2010	31/03/2014	£15,000,000	Natalia Laidlaw	As Notes Below
Connexions - Personal Advisers for Young People	Social Comm	01/09/2008	31/03/2012	£14,500,000	Ian Thurgate	Connexions (Berkshire) Partnership
Day Services - CPU433	Social Comm	01/04/2009	31/03/2016	£12,500,000	Adam Marshall	Dimensions (NSO)
Electricity Provision - Buildings	Utilities (non)	01/10/2009	31/10/2012	£12,000,000	Darrell Mearns	NPower
Integrated Community Equipment Services	Social Comm	01/04/2010	31/03/2013	£12,000,000	Colin Trimm	Millbrook Furnishing Ltd t/a Millbrook Healthcare
Management of Waste Recycling Centre	Environment	28/09/2009	30/09/2017	£11,000,000	Rebecca Hirst	Geoffrey David Thompson (trading as Weymouth & Sherbourne)
Homeless Services in Oxford City - 78, 75%	Social Comm	01/02/2009	31/01/2012	£10,500,000	Natalia Laidlaw	Nightshelter Ltd, Two Saints Ltd
Aluminium Door and Window Replacement	Works (Cons)	19/07/2006	31/03/2013	£10,000,000	Greg Lowe	3D Aluminium Plas Ltd
Interim Waste - CPU495	Environment	28/09/2009	30/09/2015	£10,000,000	Rebecca Hirst	Waste Recycling Group (WRC)

The contract manager is shown and under the direction of each Director and Service Manager, this is an important part of the work of each Service Delivery team.

We are always seeking ways to continuously improve performance and the critical area of quality, procurement and contract management is of particular attention.

In order to ensure that we improve quality, manage risks, and assure good performance of suppliers we are redesigning the Joint Commissioning Team across S&CS and CEF. This is to help give even greater assurance that the quality of service provided by all care related suppliers across the county is to the standards our customers require.

**Contact Officer – Stephen McHale, County Procurement Manager**

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### APPENDIX 1 - PROCUREMENT POLICY

#### Introduction

Oxfordshire County Council purchases a substantial amount of goods, services and works in order to enable it to deliver services to its customers. These are purchased from a variety of sources and under different contractual and legal arrangements.

It is essential for the Council to be able to purchase in a way that can clearly demonstrate value for money.

Procurement is much wider than simply purchasing and includes not only the identification of future needs of the Council but also actively assisting markets to grow to engender competition between potential suppliers and also to manage the smooth transition from one supplier to another where necessary.

It is essential that all those that are designated cost centre managers are aware of this Policy and fully understand their roles and responsibilities.

#### Aims

The key aim of this policy is to enable the Council to secure high-quality services for people in Oxfordshire, which will also enable customer and community needs be met effectively. Another key aim is to ensure that the Council, which has a significant economic purchasing power, procures fairly, equitably and in accordance with the law. By complying with this Policy and the Council’s Constitution, in particular the Contract Procedure Rules, these requirements will be met.

This Policy supports the Corporate Procurement Strategy and this is available on the intranet.

This Policy also aims to improve the ability of all officers involved in the Council’s procurement activities to stimulate competition in such a way as to achieve Best Value. It will do this:

- **Indirectly** (where a service is provided in-house) by comparing the performance of the Council to the performance of other relevant organisations (benchmarking). This will also stimulate and encourage in-house suppliers of services to improve their performance.
- **Directly** by considering and assessing a range of alternative service delivery options, as described in the section on “Best Value” below. In-house suppliers will be given the opportunity to compete on equal terms with external suppliers.

#### Method

When acquiring goods, services and works all officers of the Council shall:

- Comply fully with the Contract Procedure Rules which cover compliance with EU and UK laws for both new and the continuance of existing requirements
- Use the agreed form of documentation for outlining requirements and gaining appropriate authorisation at each step of the process, in conjunction with the County Procurement team.
- Where appropriate use the Council’s project management methodology and comply with any procedures set out by the County Procurement Manager and agreed by the Strategic Procurement Board
- Wherever possible, use pre-qualified and approved suppliers and corporate contracts for all goods, services and works, as directed by the County Procurement Team
- Engage with the County Procurement Team at the start of any proposed procurement bearing in mind that proposed renewals of existing contracts may also constitute procurements when it is expected that a new source of supply is required.
- Utilise SAP /3 and SAP e-Procurement as these are developed and where appropriate ICT approved third party systems that interface into SAP for all procurement related activities

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- Ensure compliance with this Policy and assist with the preparation for the assurance required in the Certificate of Assurance issued by the County Procurement Manager annually. Contact Internal Audit for more information about this.
- Use appropriately weighted selection criteria that consider economic sustainability and environmental factors.
- Seek advice from the County Procurement Team and County Legal Services where appropriate
- Make use of the procurement toolkit including checklists, templates and relevant guidance notes to ensure compliance and best practice.

### Best Value

The Council has a legal duty to secure “continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness” more commonly known as Best Value. This includes achieving “*the optimum combination of whole-life costs (appraisals) and benefits to meet the customer’s requirement.*”

Therefore the Council will not focus on just the lowest price but will consider the most economically advantageous balance between quality and cost. For each procurement project, or Best Value review, the Council will consider the following options:

#### *Sources of Supply including*

- In-house
- Non-profit making organisation
- Other local authority
- Voluntary Organisation
- Charity
- Company
- LLP
- Partnership
- Sole Trader

#### *Possible Models for entering into supply agreements, such as*

- Purchase jointly with other local authorities and third parties (e.g. PCT’s) (in which case a partnering contract may also be needed – refer also to the Council’s Partnership Policy)
- Design, build, finance and operate (DBFO)
- Public Private Partnership (PPP)
- Private Finance Initiatives (PFI)
- Set up a local authority company or joint venture company with the organisation carrying out the procurement

#### *Possible contract types, including*

- Contract between the Council and the supplier
- Framework agreement (e.g. set up by the Council, another local authority or a public sector consortium under which the Council can “call off” its requirements, such as CBC contracts)
- Government pre-negotiated contract (Buying Solutions, PRO5)
- Partnering Contract (see Possible Models above)

Advice should be taken at the outset to determine the appropriate option and/or model.

The Council will strive to operate a ‘mixed economy’ in relation to procurement with goods, works and services provided directly by the Council, in partnership with other organisations, and with external suppliers.

Officers of the Council will involve the County Procurement Team in Best Value reviews as early as possible in the life of projects or reviews. This early involvement is the most effective way for the Council to achieve Best Value.

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### Cost Centre Management and Scheme of delegation

Budget Authority must be obtained before any commitment is made to a supplying organisation. Cost centre managers shall authorise requests for purchases in line with the scheme of delegation set out each year by their Director and/or Business Manager.

### Diversity and competition

The Council will encourage a diverse range of suppliers to compete for its business. Many Voluntary & Community Sector and Small & Medium size Enterprises (SME’s) including minority ethnic businesses, and Social Enterprises, are put off from tendering because of:

- A perception of impenetrable bureaucracy and ‘unintentional’ discrimination
- Poor specifications and tender documents
- A belief that they can’t compete with larger organisations
- A perception that the Council will only choose the lowest price
- Not being aware of opportunities.

To counter these views the County Procurement Team shall:

- Develop and publish guides on selling to the Council
- Actively manage, influence and stimulate supply markets and, where appropriate, encourage new suppliers to enter the markets to increase competition and reduce supply risks
- Arrange appropriate workshops for current and potential suppliers
- Make arrangements to advertise contract opportunities on the South-east Business portal, local media (as appropriate), Official Journal of the European Union (OJEU) and relevant trade magazines
- Operate a mixed economy of service provision with direct or indirect access to a diverse, competitive range of suppliers providing quality services, including small firms, social enterprises, minority businesses and voluntary and community sector groups
- Participate in the SME procurement concordat and the Compact with the Community & Voluntary Sector
- Publish details of all transactions over £500 and make contract details available via the South-East Business Portal

### Environmental and social sustainability

The Council’s procurement activities must actively support its environmental sustainability policy [\[link\]](#) which states that the Council must “**Follow environmental best practice, where viable, in all activities and buildings and in the provision of services and products, and encourage contractors and suppliers to do the same**”. This includes careful consideration of reducing demand, recycling, and re-use where possible.

How the Council spends its budgets on goods, services and works can result in significant social, economic and environmental impacts. All of the Council’s procurement activities must aim to have a positive impact in each of these areas. Sustainability is about meeting the Council’s needs without compromising the ability of future generations to meet their needs.

When choosing suppliers, the Council will consider environmental and social sustainability issues, which include:

- Using best practice standards for environmental and social sustainability in all specifications
- Procuring goods, services and works that will do or cause the least amount of damage to the environment
- When choosing a supplier considering their tender in terms of the whole life cost of the goods, services and works they are proposing to supply to meet the specification e.g. this should include the cost of any impact on the environment and the sustainable benefits to the community
- Always awarding contracts to tenderers which meet Best Value requirements, not just to those which have the lowest price
- Good workforce management

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- Community safety.

### **Diversity & Equality and Human Rights**

Organisations wishing to contract with the Council must demonstrate that their policies and processes are directed to promoting and protecting diversity, equality and human rights.

The Council is committed to ensuring that all its suppliers practise equal opportunities, they are clear about the Council’s position on equality and comply with the Council’s equalities policies [\[link\]](#).

The County Procurement Team will ensure that relevant guidance is provided to Directorates in the Procurement Manual and establish procedures to ensure that suppliers from diverse communities have a fair and equal opportunity of competing for Council contracts.

The Council’s contractual requirements are contained in the Council’s standard terms and conditions, which are available from County Legal Services.

Suppliers will be encouraged to draw up their own policies that will help them to avoid unlawful discrimination, to promote equality of opportunity and to promote good race relations. This will form part of the best practice guidance within the Procurement Manual.

### **TUPE and Pensions related impacts arising from Service and procurement reviews**

Managers who are contemplating **organisational change which might involve out-sourcing services**, and therefore potentially any staff, must contact either their Human Resources Business Partner (HRBP) or Employment Advisory Service (EAS) team, County Procurement and Finance at the start of considerations to be sure they are aware of the implications of their actions and to ensure that sufficient time is allowed for the necessary actions to be undertaken.

Where the proposal develops into a **TUPE transfer situation** i.e. when the preparation for a tender process starts, Pensions Services and Legal Services must be involved at this stage before further actions are taken.

HR and County Procurement can ensure this is the case where they are already involved. Note that the Government Actuary (GAD) requires 6 months notice to assess whether a transfer organisation’s pension is comparable to the LGPS.

Where **transfers into the Council** are likely managers must contact EAS or HRBP, Procurement and Finance as soon as the transfer is seriously considered.

Where services are being re-tendered which do not involve OCC staff directly but do cover **the transfer of services from one provider to another**, managers must involve County Procurement and Legal Services as soon as the preparation for the tendering process begins.

**Responsible Officer: County Procurement Manager**  
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