

CORPORATE AND COMMUNITIES OVERVIEW AND SCRUTINY PANEL 9 SEPTEMBER 2020

THE COUNTY COUNCIL'S COMMISSIONING ARRANGEMENTS

Summary

1. The Cabinet Member with responsibility for Transformation and Commissioning and the Strategic Director for Commercial and Change have been invited to the meeting to provide:
 - a. an overview to the Panel on best practice insourcing, considered within the context of this Council.
 - b. an update on developments relating to the implications of COVID 19 on the Council's commercial activities. A summary is provided covering:
 - i. new contracts tendered
 - ii. payment made to third parties during, and as a result of, COVID 19
 - iii. impacts on the commercial pipeline/forward plan
 - iv. strategic contracts due for review/renewal in the next 12 months

Part A – Best Practice Insourcing

Background

2. The purpose of this report is to provide the Panel with an overview of recognised best practice when transferring services back in house for direct provision by the County Council.
3. For some time now the Council has regarded itself as a “commissioning” Authority, a strategic approach that ensures all mechanisms of service delivery are considered including the outsourcing of services. Outsourcing is an integral aspect of service delivery for most businesses and, more commonly in recent times, public sector organisations. It allows an organisation to separate services into those which can be delivered more effectively by a third party, and those which it is best placed to deliver directly. This in-turn allows the Council to focus its resources and expertise on core priorities, driving improved outcomes in the areas where it can have the biggest impact. At the same time, by engaging third party providers, the Council can often drive greater innovation, higher quality provision, and generally more commercially viable delivery of those areas which are not considered core competencies.

4. Many of the outsourcing arrangements the Council has entered into in recent years have continued to provide high-quality and value for money services and these will continue to be monitored and assessed on an ongoing basis. In recent years however, a small number of services which had previously been outsourced have been brought back in-house. These include IT Service Delivery, Customer Contact Centre, and the Learning and Achievement Service, with Property Services (via PPL) currently in progress. The rationale for insourcing has often included factors such as existing agreements no longer offering the expected value for money, diminishing service quality, the changing nature of the Council's requirements (meaning services are no longer being fit for purpose), and in some cases, poor/deteriorating supplier relationships. Whilst these arrangements were not established on this basis, it can be a common occurrence that, over time, outsourcing arrangements become less suitable and need to be migrated back in-house or indeed into other arrangements. As a consequence, the Council has been required to define its approach to effective in-sourcing, and to understand the best practice methodologies and steps involved.

5. This report provides a summary of the key phases and considerations involved when undertaking effective insourcing programmes.

Insourcing of services – Best Practice Summary

6. When undertaking a review which might culminate in the insourcing of a service the process methodology at a high level is similar to most other programmes. The steps within each phase however are quite different, with very clear and specific assessments, methodologies and processes designed to ensure effective delivery of an insourcing project, and the ongoing sustainability and value from the service itself. Below, the high-level steps have been summarised along with some of the key considerations for each. (Please note, these are not exhaustive.)

a. Phase 1 - Identify/define/assess

This phase can be summarised as understanding your strategy, objectives and what you want to achieve, followed by undertaking sufficient due diligence to facilitate the creation of a robust business case. Key questions and considerations include:

- Which services do we want to insource and will this be in-part or in whole?
- What is the rationale for insourcing / case for change? (Is the challenge outsourced delivery, or simply how the service has been outsourced?)
- Have we undertaken a refreshed Make v Buy assessment and do we understand where this service sits within the classic model?
- What works well in the current operating model (keep), and what aspects require improvement (change/transform)?
- What are the conceptual in-sourced delivery models and what are the operating model options? Within this, what are the design principles we need to adhere to?
- What are the approximate costs, timeframes, resources required to deliver this successfully, both in terms of programme and ongoing Business as Usual (BAU) (Indicative costs only)?
- What are the key risks/issues, and what impact could these have?

- Who do we need to engage as part of this process and how receptive to the change are they likely to be?

At the end of this phase, we would have gathered enough information and undertaken sufficient due diligence and assessment to allow Cabinet to make an informed decision on whether a service should be insourced. We should have established our objectives, options for insourcing that address these, indicative costs, and high-level design principles which will in-turn guide the design phase.

b. Phase 2 - Prepare/Design

This phase can be summarised as mobilising a team with the right mix of skills and expertise to lead the insourcing activities and designing a fully costed and resourced future delivery model. Within this, all of the key requirements on contracting, Transfer of Undertakings (protection of Employment regulations) (TUPE), negotiation etc will be established. Key considerations include:

- What service/business expertise do we have in-house and is this sufficient?
- What support services are we likely to require (IT, HR, Commercial, Finance, Legal etc)?
- What third party expertise are we likely to need?
- What are the different delivery models and their relative merits? What is our recommendation?
- What insourcing approach do we want to adopt (big bang / phased) and why
- What are the timeframes for insourcing, and are there any longstop dates?
- What are the detailed costs for insourcing, and ongoing deliver based on the recommended model?
- What is our contractual position? What is the position on TUPE?
- Where will the service be delivered from? How will it be managed?

At the end of this phase, we will have a clear view and recommendation on what the future in-house service will look like, what it will cost to deliver and maintain, and precisely what approach we will take to implement/migrate the service. It may be necessary to seek further approval from Cabinet at this stage on the design recommendation.

c. Phase 3 - Deliver/Implement/Migrate

This phase can be summarised as undertaking the transfer of services and standing up an internal function. Many of the activities in this phase will simply be implementing the agreed plans and decisions from the design phase. Key questions to consider include:

- Is there a fully defined implementation plan with clear roles and responsibilities?
- How are we monitoring implementation and keeping it on track?

- What are the implications on existing service levels and how are these be addressed and communicated (recognising a short-term dip is typical during and immediately post implementation)?
- What is our issue management and resolution approach?
- How are we testing and validating successful migration?
- What are the recruitment requirements and are there gaps after TUPE?
- Have we undertaken all necessary consultations (including with Unions)?
- What change management / communications do we need around the change?
- Do we have clearly defined go/no go criteria and a readiness assessment?
- Are there any outstanding contractual commitments or obligations which need to be addressed?

At the end of this phase, the service will have been migrated back in-house. A new structure will have been stood up and recruited to (either via TUPE, internal/external recruitment) and integrated into our wider corporate operating model. New service levels will have been agreed for the interim and future state, and the early life support requirement will have been agreed and established.

d. Phase 4 - Handover and Management.

This phase can be summarised as the early life support and hyper-care phase, during which we ensure the service is effectively embedded and operating to the required levels of service. It is also typically the point that we would begin to undertake an assessment of benefits realisation and lessons learned. Key considerations include:

- What are the expected service levels today and what is the target/by when?
- How long will early life support last before migration to BAU?
- Who will resource these support phases and what is the delivery model (internal champions, programme team members, external support etc)
- How are we assessing benefits realisation, and what will need to be monitored ongoing?
- Have we identified the lessons learned and captured them effectively?
- Are there any known issues which need to be managed locally?
- What are the continued comms requirements across the organisation and how will these be managed?

At the end of this phase, we will have supported the service from its initial go-live into a steady state BAU. We will understand what benefits have been delivered, and which are outstanding. And we will have effectively assessed what went well and what can be improved for future insourcing programmes. A project closure report will be produced, and a summary will be provided on the outcomes of the insourcing.

Key enablers of effective insourcing

7. In addition to having a clear methodology and understanding of the principle considerations to be addressed within each phase, it is important to identify and establish the key enablers to any successful insourcing programme. Whilst there are a great many enablers of complex projects, the top 5 are outlined below:

8. To be successful, an insourcing programme needs to ensure:

- The right mix of business, support and external resources that are adequately provisioned. - The business resources need to understand the service design and delivery options and be intimately familiar with the process, procedural and policy requirements. Support services need to have relevant expertise in legal, commercial, IT, Finance, Human Resources etc. and third-party expertise should be secured where in-house resources don't possess the relevant expertise.
- Clear and realistic objectives and deliverables – Both in respect of the insourcing process (principally timescales and costs), and the future service delivery model (operating model, service levels, delivery costs etc). There should inform clear design principles and defined outcomes that address the case for change. i.e. is this to address service quality, delivery risk/continuity, commercial/value for money etc.
- Clear allocation of funding upfront – adequate funding to deliver the insourcing programme as well as to provide a sustainable delivery model ongoing. This needs to be realistic, or else the future delivery model will not be successful.
- Clear structure and approach - Programme team in place with a defined insourcing methodology and governance structure established and embedded to oversee the programme.
- Engagement – Change management and enablement undertaken, engaging with partners where appropriate, and ensuring buy-in from across all relevant areas of the organisation.

What is best practise for insourcing/outsourcing of services

9. In general terms, most organisations now undertake Make Vs Buy assessments across their portfolio of services, assessing them based on complexity and operational importance. These are then categorised in to:

- High complexity / low operational importance – consider outsourcing to third party
- Low complexity / low operational importance – look to automate / eliminate
- Low complexity / high operational importance – look to automate, or outsource non-core elements
- High complexity / high operational importance – Retain as a core competence / high priority

Services can also be assessed on relative performance and value which can help define a clear view on priorities and optimal service delivery model.

Specific lessons learnt in A Worcestershire Context

10. Taking as an example the successful insourcing of IT Services in late 2018 and the subsequent project closure report, a number of specific lessons were identified and learned. Three examples of these are given below:

Timescales – The original timescale to insource IT services was ambitious, aspirational and potentially risky. Timescales were amended which gave enough time to successfully mitigate the risks and IT services were successfully transferred in-house on 1st October 2018 with no interruption on service delivery.

IT Programme Manager – The appointment of a seasoned and experienced agency IT Programme Manager with considerable previous experience of IT service transfers significantly helped to de-risk the programme and help to ensure the IT in-sourcing happened with no interruption to IT services continuity.

Alemba Vfire – The new IT Helpdesk system was procured during the programme specifically to meet the needs of the council. It is a significant improvement to the previous system provided by the outsourced partner receiving good feedback from Council service users since going live. The modern design and advanced features of Vfire allow for easier IT service delivery management. Taking the opportunity to upgrade this capability close to the time of transfer has enhanced the perception of the service.

Part B – Commercial Update

Background

11. The onset of the COVID pandemic brought with it several direct commercial implications across both our internal organisation and more widely (and often significantly) across the suppliers and service providers to the Council. The commercial function has been required to undertake extensive cross-functional engagement as part of our COVID-19 response activities, leading on the sourcing and management of a host of new requirements, many of which were unfamiliar at the outset. The Commercial team has worked to develop sourcing expertise across new categories and supply markets and designed and implemented new delivery models in challenging and ever-changing circumstances, coordinating and engaging at both a regional and national level. As importantly, they have worked with our existing services providers, particularly those delivering across the spectrum of care services, to ensure they have been effectively supported during these initial phases.

12. Our COVID response activities have been significantly resource intensive and our focus has now moved to how we establish a sustainable ongoing support model, minimising the impact on time/capacity and identifying the resource needs.

13. Below we have outlined some of the legislative changes that were enacted by Central Government to support our COVID response activities, as well as providing details on support provided to our suppliers, contracts tendered, and impacts on the commercial forward plan. Finally, a summary of some of the key upcoming commercial reviews has been provided.

The legislative environment

14. - The Cabinet Office issued 2 significant Procurement Policy Notes (PPN02/20 and PPN04/20) to support public bodies in their response to COVID-19.

- PPN02/20 was issued in March 2020 and focussed on relief that contracting authorities could provide to support suppliers at risk to ensure job protection and business continuity. The measures that could be applied centred on paying for contracts, even if not delivered, and paying supplier invoices promptly.
- PPN04/20, issued June 2020, replaced PPN02/20 on 1st July 2020. PPN 04/20 moved the emphasis away from job protection and business continuity by asking authorities to review contract portfolios to determine whether to continue to provide any contractual relief measures from PPN 02/20 and to work with suppliers to plan exit from relief by no later than 31 October 2020.

Third party provider payments

15. - The COVID pandemic has had a seismic impact on many industries, not least the care sector. Profitability (and therefore sustainability) has been significantly impacted, and yet many of these services are critical for the Council to deliver against its statutory obligations. Consequently, we elected to support our third-party providers, as and where appropriate, to ensure ongoing service continuity. This was provided for a limited time, and as restrictions began to lift and enough time had elapsed to allow organisations to implement remedial actions, this support was withdrawn. A summary of the interventions has been provided below:

a) Payments continued to all providers of domiciliary care, supported living, extra care and day services, where services cannot be delivered (for example where day services have closed due to Covid-19 or where homecare cannot be delivered due to individuals self-isolating or where staff are not able to work due to Covid-19 related issues). Period 17/03/2020 to 3/08/20.

b) Additional payments made to domiciliary care and care home providers for Covid-19 related cost pressures such as additional staffing costs, increased cost of Personal Protective Equipment etc.

- For domiciliary care, supported living, extra care and shared lives providers this increase is an additional 5% on their fee rates. Period 17/03/2020 to 3/08/20.
- For residential and nursing care providers, the increase is 5% on Band 2 and Band 4 rates respectively. Period 17/03/2020 to 22/08/20.

c) Payments continued to all home to school transport suppliers following enforced school closures due to COVID-19. This ran through to the summer holidays.

d) Payments continued for providers of Short Breaks, following suspension of service by Worcestershire Children First. Discussions are now underway to transition the service into one that can be delivered on an ongoing basis, no later than 31 October 2020.

e) Payments continued for several public health contracts including Strength and Balance, Prevention and Early Intervention following reduced delivery due to very little face to face contact being enabled. Discussions with the providers are currently in hand to agree how the outcomes can be secured through different delivery models. Contract changes to be finalised by 31 October 2020.

f) NHS Health checks. Whilst none have been delivered since April 2020, payments have continued to the providers (GPs), based on an average paid in 2019/20. Discussions are currently being undertaken to move back to the contracted provision by 31 October 2020.

16. All additional payments and uplifts to our service providers have now stopped. Where support has been provided, suppliers are required to operate on an open book basis demonstrating the level of need and ensuring that there has been no support provided in addition to available government schemes (such as furlough).

17. Given the current economic climate that has been impacted by Covid-19, a new financial resilience programme has been initiated. The objective is to protect both the Council's and WCF services that are reliant on suppliers and providers for delivery. The key activities are to monitor and survey the supply base, report on trends and changes in the supply base and to plan mitigation actions in the event of supplier failure.

New contract requirements

18. As part of the Council's COVID response activities, several new contracts were established in order to ensure effective continuity of supply, compliance to standards, and value for money. These have required the Commercial team to develop new category specific skills and expertise and has involved a significant commitment of resource. The team has also engaged regionally and nationally to coordinate our activities on areas such as PPE and food parcel sourcing, taking a leading role, alongside the Ministry of Defence (MOD), in helping to define the wider national model of fulfilment. Below is a summary of some of the activities undertaken, and agreements established:

- PPE – Various sources of supply depending on stock availability and price.
- Emergency food provision. Contracts placed with Servest (current Council caterer) and Wolverhampton County Council.
- Domiciliary Care block contract to deliver 450 hours of homecare per week in Wyre Forest, Malvern Hills, Worcester City and Bromsgrove for a duration of 4 months.
- Block contracts of residential and nursing care home beds.
- Generator, racking and storage for emergency mortuary capacity
- Mobile swabbing, since 6 August 2020
- Data sharing with Herefordshire (Trace and Track) – Nimrod Project

Implications of COVID-19 on Commercial forward plan

19. The Commercial team have positioned themselves to support both our COVID response initiatives and our BAU commercial activities, making great efforts to

deliver against both requirements. Despite this, limited capacity and resource, coupled with an average 65% commitment of support service capacity to COVID response activities in the first 3 months of lock-down have resulted in delays to sourcing activity across several areas identified on the forward plan. Provision has been included by Central Government to facilitate short term delays in tendering, and extensions to existing agreements, where this is a result of the impact of COVID-19. All these agreements will be tendered in due course, with the anticipated timeframes now expected to be towards to latter end of 20/21 financial year. Clearly this will need to be managed alongside the existing portfolio of contracts in the forward plan.

20. Key contracts the Council has, as yet, been unable to tender include:

- Adults Social Care Domiciliary care contract
- Civil engineering professional services contract
- Positive Activities
- Foster Care Short Breaks for Children & Young People with Disabilities & Complex Health Needs
- Supported Living Dynamic Purchasing System now live but no packages awarded to date.

21. Each of these agreements carried an anticipated commercial benefit as a result of the retender process. The impact of the delays, and the changed nature of the market is still being assessed.

Strategic review/monitoring of major contracts due for renewal

22. In addition to these contracts, which will require re-profiling and planning for tender later in the year, the following major contracts are either currently under review or due for review imminently. The outcomes of the review will inform the procurement strategy to adopt. However, the impact on the procurement strategy and anticipated commercial benefits as a result of COVID 19 will, clearly, need to be fully evaluated and assessed:

Service	Current Supplier	Approximate Total Contract Value	Indicative Duration	Date for new Contract
Domiciliary Care	Various	£140M *	7 year agreement	December 2020
Nursing Care Bed Block Contract	Various	£100M	5 year agreement	December 2020
Civil Engineering Professional Services	Jacobs	£30M	5 year agreement	September 2021
Property Management	Place Partnership	£30M	Multiple	April 2021
Temporary Staff	Matrix CRM	£24M	3 years	April 2021

Traffic Light Maintenance	Telent Technology Ltd	£10M	10 years	August 2021
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- Domiciliary care is currently procured using a Dynamic Purchasing System that providers apply to be included. Individual care packages are offered to the provider list and the individual contract is offered for best offer. With the move to reduce domiciliary care provision through reablement, the proposed procurement strategy is to change to a zonal model with a lead provider for each zone.

**Current expenditure is approximately £26m per annum. This will phase through within the new agreement, ramping up to the value ultimately, with an expectation that the full annual value will be reached by year 3.*

- Nursing care beds are currently bought from a variety of providers at different rates. Securing a block contract for up to 55 beds will reduce cost. The strategy is currently under review, given the impact of COVID-19 on the provider base.
- Civil engineering professional services is currently on a non-exclusive term contract with Jacobs. The current contract is due to be reviewed in September 2020.
- Property management with Place Partnership will cease in March 2021. Elements of the contract will be in-sourced and other parts outsourced. The strategy is currently under review.
- Temporary staff. Matrix is in effect an IT platform that puts the Council's requirements directly out to suppliers who have been vetted by Matrix and have agreed fixed margins on placements. Forecasted demand for temporary staff will impact on the procurement strategy to be deployed for a new contract. The contract review will be completed in November 2020.
- Traffic light maintenance. Whilst the contract is not due for renewal until August 2021, there is a limited number of suppliers that can provide the service. The procurement strategy is currently being reviewed.

23. We continue to manage the requirements of our response and recovery phase and have begun to establish new models of delivery across these new requirements to ensure they are delivered as effectively and efficiently as possible, minimising the impact on resources and capacity. There will continue to be some degree of ongoing requirement for commercial support and this will be identified and confirmed in due course. The implications on the forward plan and associated benefits realisation will be assessed alongside this activity.

Purpose of the Meeting

24. The Panel is asked to:

- Note the contents of the report, acknowledging in particular the cessation of support to third party providers, and the impacts on the Commercial forward plan

- consider and comment on the feedback from the Cabinet Member for Transformation and Commissioning and the Strategic Director of Commercial and Change
- determine whether any further information or scrutiny on a particular topic is required.

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Background Papers

In the opinion of the proper officer (in this case the Strategic Director of Commercial and Change) there are no background papers relating to the subject matter of this report.