

## APPENDIX A

### EAST CAMBRIDGESHIRE DISTRICT COUNCIL

#### COMPETITION STRATEGY

##### 1.0 INTRODUCTION

1.1 East Cambridgeshire has a long tradition of pragmatic service procurement; recognising its size and position in the delivery of services and using the market place to achieve best value for service users. This strategy provides a common framework within which all services will be procured. It is a key component of the authority's approach to Best Value and will form part of the management arrangements it has made to secure continuous improvement in the economy, efficiency and effectiveness of Council services.

1.2 Best Value legislation introduced in April 1999 replaced Compulsory Competitive Tendering (CCT) with Best Value Fundamental Service Reviews. This strategy will assist Members and officers in this process.

1.3 This strategy is to be read in conjunction with the Council's standing orders relating to contracts and financial regulations.

##### 2.0 CORPORATE OBJECTIVES

2.1 The Competition Strategy will enable the Council to achieve its corporate objectives and overall purpose to provide quality services by ensuring that the maximum benefits are secured through the procurement process.

##### 3.0 COMMISSIONING FRAMEWORK

3.1 Council panels and committees decide whether services are commissioned, either internally (in-house) or externally (private contractor, housing association etc.). These decisions are based on the recommendations of officers. These decisions may be taken at the following times:

- where new work is required to be undertaken
- prior to the expiry or extension of an existing contract;
- following a best value review;
- as a matter of urgency if a service/contract is failing.

##### 4.0 OPTION APPRAISAL

4.1 In order to make informed decisions on the procurement of services, Members will need to be satisfied that a wide range of options have been assessed by officers.

4.2 All recommendations by officers to committees and panels in the procurement of services will have to include an appraisal of the options. The following guidance is designed to assist officers in this process.

4.3 The option appraisal process involves identifying the range of possible internal and external options for the service. Some of these will not be appropriate to particular services or a small authority like East Cambridgeshire; however, it is important to

consider as broad a range as possible to ensure the potential of the market is exploited in the procurement of services. These may include:

#### 4.4 Internal Options

- In-house delivery where the service is currently out-sourced;
- Staff training and development;
- Re-organisation;
- Capital investment and
- Cost reduction to make services more competitive

#### 4.5 External Options

- Creation of new markets and potential suppliers, including linking services to promote market interest;
- Out-sourcing (whole or part service);
- Contract renegotiation/extension
- Public/Private Partnership;
- Joint provision (with another authority or public body).

4.6 There is also the option to cease providing the service where the service is discretionary.

4.7 Best Value legislation requires each authority to periodically expose services to genuine competitive pressure unless there are compelling reasons to recommend a different course. This is best demonstrated in the Compete and Challenge element of Best Value reviews.

4.8 Once the options have been identified, each one will need to be thoroughly appraised. This process may include the identification of less quantifiable benefits and disadvantages as well as the financial costs of a particular option, ie. the impact on staff, office accommodation and skills gaps. It will include benchmarking current costs against similar services in the public sector and the private sector, where applicable.

4.9 Option appraisal will almost certainly include some soft market testing or “market sounding” to establish if a service should be out-sourced. **Full market testing of all or part of a service can be time-consuming and expensive, and will only be undertaken when the internal option is found to be materially uncompetitive.**

4.10 The internal option to bring an out-sourced service in-house is also a time-consuming option. It is therefore recommended that the best time to carry out the option appraisal of procuring a service is approximately 18 months before the expiry date of a contract.

4.11 The decision to draw up an in-house bid for a service will be made when the option appraisal demonstrates that external procurement does not offer value for money and/or is delivering a poor quality service. On occasion, there may be cases where we explore in-house bids alongside external competition

4.12 An understanding of the market in which a service operates is fundamental to the evaluation of the options. It may be necessary to obtain specialist advice in this area, and a budget has been established to assist officers by enabling them to buy in specialist procurement services.

4.13 It is also possible to extend the market by the development of potential suppliers. The Council has many examples of where this has been carried out in the past.

eg. Economic and Community Development Section have developed a service Level Agreement (SLA) with Ely Museum to provide museum services. Leisure services in the district are mainly delivered by the voluntary sector.

4.14 In a small district like East Cambridgeshire, the economy of scale derived from joint procurement with other authorities or public bodies must not be under-estimated. This option will require a greater need to plan ahead and may be a recommendation for future procurement of a service and a particular goal to work towards.

eg. The procurement of waste collection and waste disposal services across the county may be a consideration in the future. Already districts and the County have produced a joint strategy to help improve performance and help meet national targets.

#### 4.15 Option Appraisal and Best Value Reviews

The option appraisal will assist officers and Members in the complete element of the fundamental review. It will provide a framework to evaluate the benefits of internal or external service delivery.

#### 4.16 Timing of decisions

##### (i) In-sourcing.

As mentioned above, it is necessary to leave adequate time to draw up a competitive in-house bid if this is to be a robust procurement option at the expiry of a contract. Best Value Review timetables and contract periods will need to take account of this lead-in period.

##### (ii) Joint procurement

This form of procurement also requires a considerable lead-in period. Examples of this are the possible joint procurement of the Citizens' Panel.

### 5.0 PARTNERING

5.1 Partnering is the creation of a long-term relationship with a contractor based on partnership principles such as shared objectives, trust, good communication, proactive problem-solving, joint investment, continuous improvement, sharing of risks and rewards, pooling of knowledge and resources etc.

5.2 Partnering is strongly recommended when procuring services from external contractors. The authority already has many examples of successful partnerships with the private sector, eg. Revenue and Benefits' Contract, Paradise Pool, and has been considered in the retendering of The Maltings' contract.

5.3 The partner may already be in existence or may be especially created by the Council. For example, Trusts that operate "at arms length" from the Council, eg. ADeC, Sports DEC.

5.4 The Council's partner may be:

- a voluntary organisation
- a registered social landlord
- a community enterprise/Trust
- a private contractor or developer
- another public sector body
- another local authority
- a local authority company

5.5 Partnering with the voluntary sector can also enable us to provide a better integrated service for customers. An example of this is the Rent Deposit Scheme for young single homeless people administered by Wintercomfort.

#### 6.0 REPORTING TO MEMBERS

6.1 The outcome of the option appraisal will be reported to Members as part of the Best Value Review process or to the relevant panel or committee for the service in advance of the retendering of a contract.

#### 7.0 REVIEWING THE COMPETITION STRATEGY

7.1 This strategy reflects the current arrangements in place. It will need to be reviewed and updated at key stages to reflect the following:

- New forms of political management
- Electronic procurement

7.2 It is anticipated that a 'green' procurement strategy, taking full account of environmental considerations, will be developed in the future. This strategy will need to be reviewed and extended to reflect this development.