



Appraising the In-House Option

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An evidence based approach

- This is not just about the in-house option
- *All* options must be considered
- Tempting to start with the solution but...

Eating the elephant



- Current state assessment
- Establish objectives
- Identify and describe options
- Create option appraisal criteria
- Appraise options
- Compile business case





Don't start with the status quo

- The biggest decision is whether to provide the service at all
- Do we have a choice?
 - Is it required by law
- Does it contribute to achieving council priorities?
 - Social
 - Economic
 - Environmental
 - Income generation
- Could someone else do it better?
 - Third sector?
 - Other public bodies?

Second tier questions



- Is the service optimally packaged/configured?
 - Cost effectiveness
 - Service delivery
 - Added value
- What are the alternative approaches?
 - Go it alone services
 - Integrated services
 - Variable packaging
- Is there potential for added value?
 - External trading opportunities
 - Scale economies
 - Access to additional funding sources
- How important are factors such as
 - Ability to vary volume
 - Ability to change methodology
 - Social value

How is the current service doing?



Qualitative

- Internal SWOT
- Perceptions of key stakeholders
- External complaints/satisfaction data
- Culture fit

Quantitative

- Objective performance measures
- Contract penalties
- Headline unit cost
- Actual unit cost
- Benchmarking

Configuration options e.g. Street Scene



- Keep as two separate services/contracts
- Combine to create Street Scene service/contract
- Combine with others to create Environmental Service/Contract – i.e. refuse collection
- As above but include enforcement and environmental education
- Work across departments to create multi-service approach based on needs of customers

Delivery vehicle options



- Contract out via competitive procurement
 - Term contract(s)
 - Call off contract
 - Joint venture private partner
 - Incorporate concession elements – enforcement income, recycling income etc
 - Input specs or output specs – what inputs/what outputs
- Contract via a different route
 - Arms length company (Teckal)
 - Arms length JV (Teckal) e.g. with NORSE
 - Public/public cooperation (Hamburg) e.g. with schools
- Bring in-house
 - Go it alone
 - Potential for shared service

Key Characteristics and possible evaluation criteria



Delivery option	Procurement	Nature of control	Flexibility	Commercial potential	Cost factors
Commercial contractor	Compliant procurement process required	Contractual	Very limited	No direct potential	Flowing from contract price plus variations – lower staff costs but profit margin
Wholly owned contractor	Can be concluded outside procurement regs. If Teckal compliant	Contractual Share-holder agreement	Limited	No direct potential but dividend distribution subject to corporation tax	From contract but single controlling mind so staff costs as council
Jointly owned contractor – with other public body	Can be concluded outside procurement regs. If Teckal compliant	Contractual Share-holder agreement Shared	Limited	No direct potential but dividend distribution subject to corporation tax	From contract but single controlling mind so staff costs as councils Profit shared
In-house	No procurement	Direct control through committee/officers	High level of flexibility	External trading directly or via s95 company	Staff costs offset by income generation
Shared service	No procurement	Direct via joint committee/officers	High but agreement with partner required	External trading directly or via s95 company	Staff costs offset by income generation

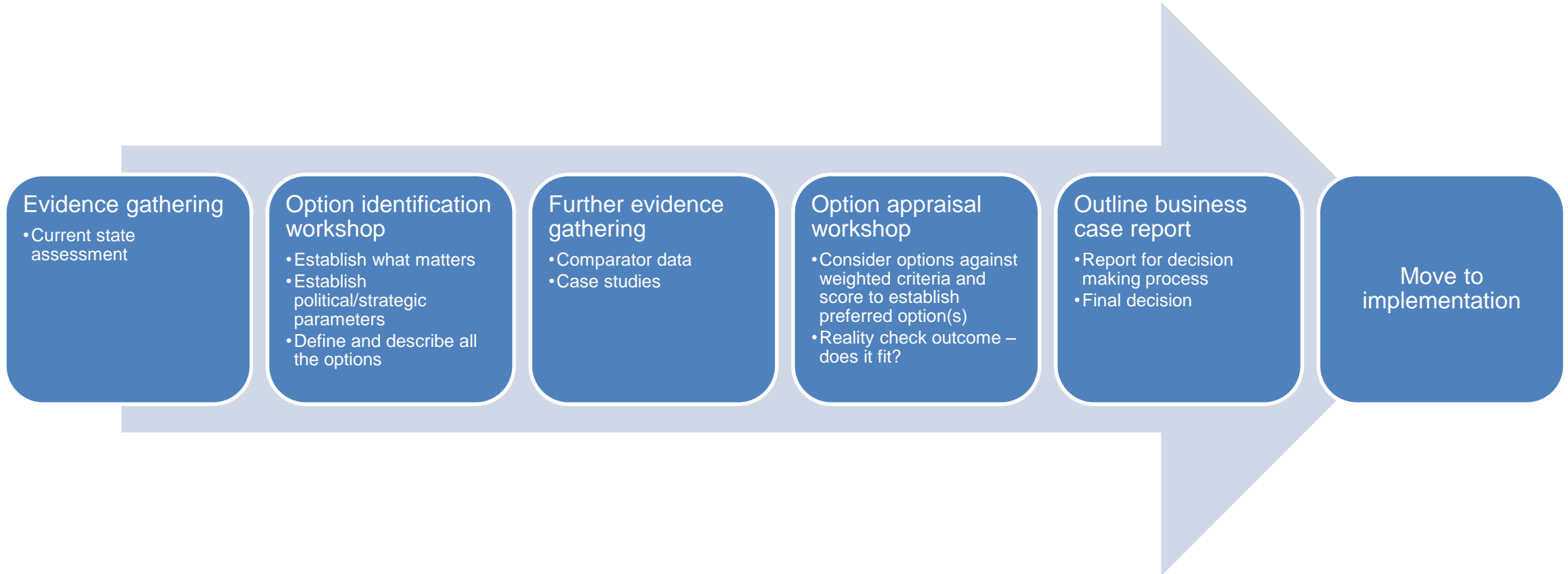
So how do we decide which is best?



- Decide what is important – evaluation criteria
- Work out what we need to know about each option
- Make sure we know about all the potential variations and sub-options
- Score the options against the (weighted) criteria
- But don't forget the big picture stuff

- Remember its not strictly a science
 - political environment and elected members are entitled to make the decisions
 - but there is a legal requirement to take account of the facts

Typical process



Consultancy



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Interim management requirements

**Roads & Highways, Building Maintenance, Bereavement Services, Environmental,
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