Government
Commercial
Function

THE OUTSOURCING PLAYBOOK

Central Government Guidance
on Service Delivery, including Outsourcing, Insourcing, Mixed Economy Sourcing and Contracting

Version 2.0
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Produced by Cabinet Office

Alternative format versions of this report are available on request from **project.santiago@cabinetoffice.gov.uk**

Designed by Design102

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Foreword by Alex Chisholm

Delivering outstanding public services is a critical function of government.

The introduction of the Outsourcing Playbook last year set out a series of simple guidelines and rules to achieve this by improving our decision making and how we deliver public services.

These principles remain true today and we are committed to ensuring they are successfully embedded in everything we do.

Over the past year, the Cabinet Office has acted together with colleagues across the Civil Service to strengthen capability, provide additional support and hold projects to account through stronger governance frameworks and controls processes. More needs to be done but there are positive signs of progress.

Where last year's Playbook outlined expectations, we have now set out further practical guidance to support delivery and drive improvement. The key policies remain:

1. Publication of Commercial Pipelines
2. Market Health and Capability Assessments
3. Project Validation Reviews (PVR)
4. Delivery Model Assessments (also known as 'Make versus Buy assessments')
5. Should Cost Modelling
6. Requirement for Pilots
7. Key Performance Indicators (KPIs)
8. Risk Allocation
9. Pricing and payment mechanisms
10. Assessing the Economic and Financial Standing of Suppliers
11. Resolution Planning

The updated Outsourcing Playbook emphasises that the delivery of public services is a collaborative endeavour involving colleagues from Commercial, Finance, Project Delivery, Policy and other professions.

Embedding the Outsourcing Playbook into our ways of working is a journey the whole of government must continue to walk together.

As Chief Operating Officer of the Civil Service I am delighted to support the second edition of the Outsourcing Playbook.

June 2020

Introduction – Right at the start

The original Outsourcing Playbook was endorsed by Ministers, industry and senior civil servants as a crucial first step to improve both our decision making and the quality of contracts we place with industry and implementation activities continue at pace.

We have continued our joint working with suppliers, including small businesses, voluntary and community sector organisations, and colleagues across central government to capture further best practice and lessons learnt.

The second edition of the Outsourcing Playbook continues to focus on the 11 key policies to get projects right at the start. This applies whether we decide to outsource and deliver a service in partnership with the private and third sector, insource and use in-house resources, or a mix of both. That is why we have developed a new 'Delivery Model Assessment' framework, recognising we need a detailed analysis of the costs and benefits to decide the best option.

When we do decide to work with the market, including small businesses, voluntary and community sector organisations, we will build successful relationships to drive innovation and maximise social value.

By following the guidance, rules and principles set out in this Playbook we can expect to:

- get more projects right from the start;
- develop robust procurement strategies;
- engage with healthy markets;
- contract with suppliers that want to work with us; and
- be ready for the rare occasions when things go wrong.

And in doing so, we will continue to rebuild the trust between the Government, suppliers and the public. Both suppliers and departments are encouraged to highlight if either party falls short of the expectations in the **Supplier Code of Conduct** or this Playbook.

The Outsourcing Playbook is aimed at Commercial, Finance, Project Delivery, Policy, and any professionals across central government departments who are responsible for the planning and delivery of insourcing and outsourcing projects. It sets out how we make insourcing and outsourcing decisions, and deliver public services in partnership with the private and third sectors.

> “The second edition of the Outsourcing Playbook continues to focus on the 11 key policies to get projects right at the start”

What is new?

The second Outsourcing Playbook builds on the original Playbook to provide new or refreshed content on:

- Delivery Model Assessments (previously referred to as ‘Make or Buy’, see pages 20-27)
- Piloting First Generation Outsourcing (see pages 28-30)
- Building and Maintaining Successful Relationships (see pages 54-56)

We have introduced a new functional matrix mapping the 11 key policies, as a guide for departments to support implementation of the guidelines and rules set out (see page 11). How these principles interact with the other key commercial policies has also been made clearer.

New and refreshed supporting Guidance Notes provide further detail on a number of areas. A full list of Guidance Notes is provided on page 11.

Contacts

For further information or to provide feedback on the Outsourcing Playbook please contact the Outsourcing Programme at **project.santiago@cabinetoffice.gov.uk**

Navigating the Outsourcing Playbook

The Outsourcing Playbook has been structured around the main business case and commercial stages of a typical procurement lifecycle:

- Preparation and Planning
- Publication
- Selection
- Evaluation and Award
- Contract Implementation.

The symbol for a key policy is the Playbook icon and each time this appears it flags an important policy that practitioners should take note of.

Many of the most important decisions are taken at the Preparation and Planning stage, before a contract notice has been published – applying the key principles early is how we get things right from the start. Figure 1 overleaf shows where each play sits within the procurement lifecycle, how they align to the main commercial stages and where the key policies appear.

Playbook flow diagram

Figure 1. Where the Playbook fits with the typical procurement process.

Project Phases	Policy Formulation	
Approval Points	PVR	SOC → OBC
Commercial Life Cycle		Define
Typical Commercial Activities		**Preparation and Planning** • Develop a clear definition of the business need • Assess the market • Pre-procurement consultation of the market • Develop sourcing strategy
Where to find key policies	• Publication of Commercial Pipelines (see page 14) • Market Health and Capability Assessment (see page 14) • Project Validation Reviews (see page 18) • Delivery Model Assessments (see page 20) • Should Cost Modelling (see page 24) • Requirement for Pilots (see page 28) • Key Performance Indicators (see page 33)	

Project Initiation → **FBC** → **Deliver the Project**

Procure			Manage
Publication	**Selection**	**Evaluation and Award**	**Contract Implementation**
• Draft specification • Prepare procurement documentation • Advertise the contract opportunity • Supplier engagement	• Use standard selection questionnaire to apply exclusion grounds and select suitable suppliers	• Evaluate tenders • Award and sign the contract • Notify tenders and publish the award	• Manage and monitor the execution • Receive goods/services and Issue payments • Deal with any modifications • Close the contract
• Pricing and payment mechanisms (see page 44)	• Assessing the Economic and Financial Standing of Suppliers (see page 46)	• Resolution Planning (see page 50)	

Summary of key policies

Publication of Commercial Pipelines

There is a requirement that all central government departments publish their commercial pipelines.

This helps suppliers to understand the government's long-term demand for services and prepare themselves to respond to contract opportunities.

Market Health and Capability Assessments

All potential outsourcing projects will conduct an assessment of the health and capability of the market early on during the Preparation and Planning stage.

This will enable project teams to identify potential limitations in the market and consider whether actions such as contract disaggregation could increase competition and improve market health.

Project Validation Reviews (PVR)

Previously only government major projects required a PVR assurance review. Now all complex outsourcing projects will be required to go through this important 'policy to delivery' gateway.

Brings together the full weight of cross government expertise at the early stages of the project to help assure deliverability, affordability and value for money.

Delivery Model Assessments (also known as the 'Make versus Buy assessments')

Central government departments must conduct a proportional delivery model assessment before deciding to outsource, insource or re-procure a service.

This drives evidenced-based, analytical decisions and can help address the different challenges that come from outsourcing or insourcing a service, or one of its components.

Should Cost Modelling

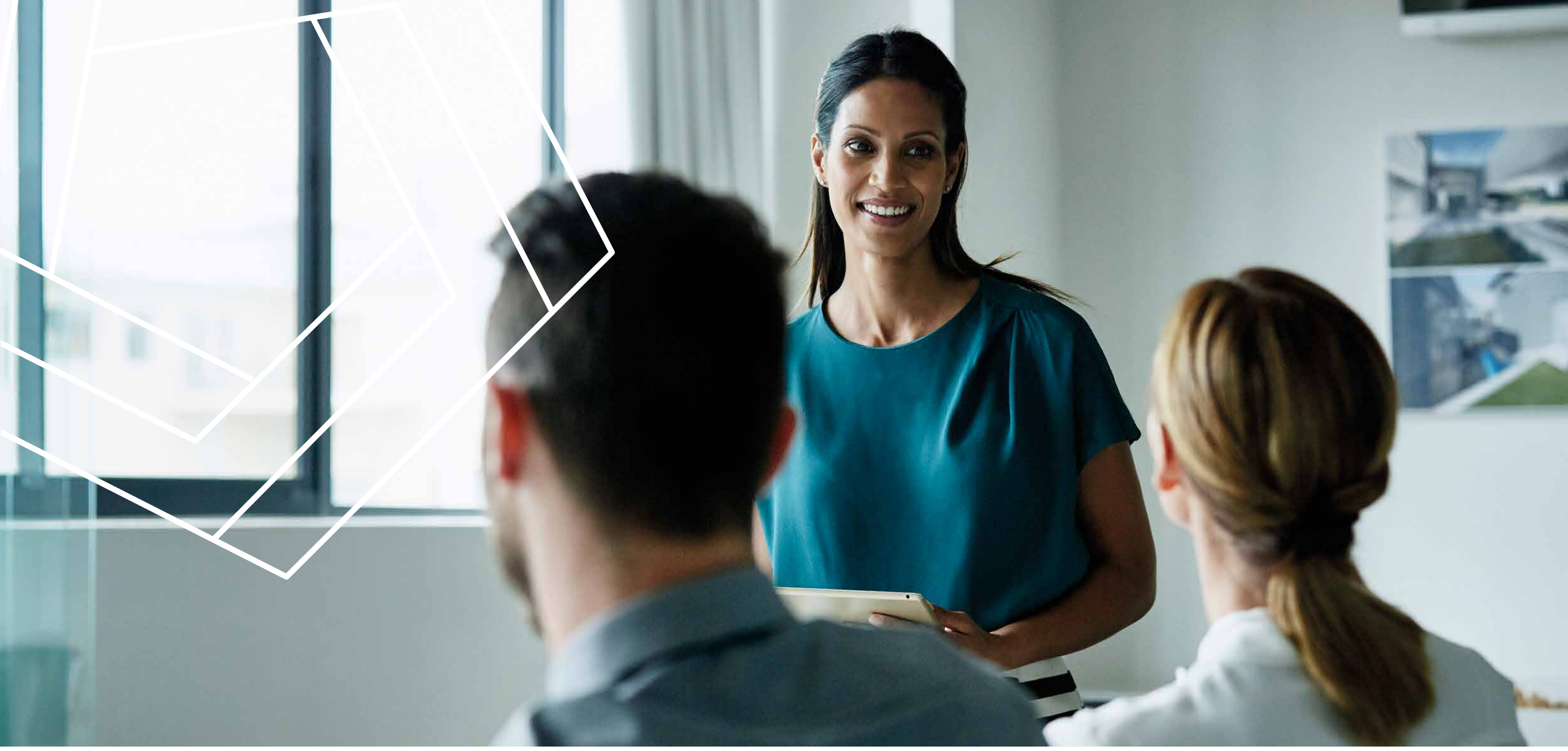
All complex outsourcing projects will produce a Should Cost Model as part of the delivery model assessment.

Will provide a better understanding of the costs associated with different service delivery models and help to protect government from 'low bid bias'.

Requirement for Pilots

Where a service is being outsourced for the first time, there is a presumption that a pilot should be run as part of a programme of testing.

Piloting a service delivery model is the best way to understand the environment, constraints, requirements, risks and opportunities. Pilots also provide a wealth of quality data and can help inform technical specifications.



Key Performance Indicators (KPIs)

All new projects should include performance measures that are relevant to the service objective and proportionate to the size and complexity of the contract. In line with the government's transparency agenda, three KPIs from each of the Government's most important contracts will be made publicly available.

Getting these two things right will form the foundation of smarter contracts, designed to incentivise delivery of the things that matter, and provide clarity to the public about how the service is working for them.

Risk Allocation

Proposals for risk allocation will be subject to consideration and scrutiny to ensure they have been informed by genuine and meaningful market engagement.

Inappropriate risk allocation has been a perennial concern of suppliers looking to do business with government and a more considered approach will make us a more attractive client to do business with.

Pricing and payment mechanisms

The pricing and payment mechanism approach goes hand in hand with risk allocation and will similarly be subject to greater consideration and scrutiny to ensure it incentivises the desired behaviours or outcomes.

This change is fundamental to making the outsourcing sector a thriving and dynamic market that is sustainable in the long-term.

Assessing the Economic and Financial Standing of Suppliers

All outsourcing projects will comply with a minimum standard when assessing the risk of a supplier going out of business during the life of a contract.

Consistently applying a minimum standard of testing will provide a better understanding of financial risk and leave us better able to safeguard the delivery of public services.

Resolution Planning

There is now a requirement for suppliers of critical public service contracts to provide resolution planning information.

Although major insolvencies are infrequent, this change will help to ensure government is prepared for any risk to the continuity of critical public services posed by the insolvency of critical suppliers.

About this document

Key Outsourcing Terms

1. 'Outsourced service' means any public service obtained by contract from an outside supplier.
2. 'Outsourcing project' refers to the project to outsource a service.
3. 'Complex outsourcing' refers to any of the following: first generation outsourcing; significant transformation of service delivery; obtaining services from markets with limited competition or where government is the only customer; and/or any service obtained by contract that is considered novel or contentious.
4. 'Department' refers to any central government department or arm's length body.
5. 'Critical service contracts' are contracts for outsourced services where significant disruption would occur should services be interrupted. These can be identified using the Cabinet Office Contract Tiering Tool, which considers factors such as the potential impact of service failure; service continuity; the speed and ease of switching suppliers; and the contract value.
6. 'Critical suppliers' are providers of critical service contracts. Critical suppliers are required to provide resolution planning information (see page 50).
7. 'Public sector dependent suppliers' are supplier groups with over £50m pa revenue of which over 50% is derived from public sector work. They may also be required to provide resolution planning information (see page 50).

Who is the Outsourcing Playbook for?

The Outsourcing Playbook is aimed at Commercial, Finance, Project Delivery, Policy, and any professionals across central government departments and arm's length bodies who are responsible for the planning and delivery of insourcing and outsourcing projects.

The guidelines, principles and rules have been co-developed with input from public officials and industry stakeholders. They can be considered good practice for all professionals involved in procurement across the public sector.

Outsourcing a service has in many cases been seen as an entirely commercially-led enterprise. Experience has shown us that the delivery of a successful project whether in-house, in partnership with the private and third sector, or a mix of the two requires appropriate cross-functional expertise. It is expected that a number of the policies in this Playbook will be led by non-Commercial professionals. The key is ensuring we have joined-up teams with the right functions inputting early into policy and projects. Pipeline reviews can help to facilitate early planning and identify opportunities for more collaborative working.

Figure 2 provides an analysis of the 11 key policies mapped against functional groups. This should be considered a guide to support departments in implementing the Outsourcing Playbook and may vary in different organisations depending on their structure.

Permanent Secretaries, Accounting Officers, Commercial Directors, Project Sponsors and Senior Responsible Owners will also find the guidance useful when acting as decision makers or approvers, or when conducting checks within the capacity of scrutiny and assurance.

Figure 2: Analysis of roles and responsibilities across the 11 key policies. OKUA stands for:

- Ownership. Individuals within the function lead the activity and have overall responsibility for it.
- Knowledge. Individuals within the function are the Subject Matter Experts on at least one element of the activity.
- Understanding. Individuals within the function understand what the activity is and what good looks like.
- Awareness. Individuals within the function know what activities are required and who is responsible.

Figure 2. OKUA: Functional analysis of 11 key policies

Business Case Stage: Policy Formulation → PVR → Project Initiation → SOBC → OBC

SROs and business owners have overall responsibility for the delivery of projects and need to be appropriately informed of all activities

Functions / Key Policies	Commercial Pipeline	Market Assessments	PVR	Project Validation Reviews	Deliver Model Assessments	Should Cost Models	Testing and Pilots	Key Performance Indicators	SOBC	Risk Allocation	Payment Approach	Assessing the Economic and Financial Standing of Suppliers	Corporate Resolution Planning Information	OBC
1 Commercial	O	O		K	K	Joint-O	K	K		Joint-O	Joint-O	Joint-O	O	
2 Finance (including Financial Analysts)	U	U		U	U	Joint-O	U	A		K	K	Joint-O	K	
3 Programme and Operations including Project Delivery, Digital, Property, HR	K	U		O	O	U	O	O		Joint-O	Joint-O	U	U	
4 Policy	A	A		U	K	U	U	A		U	U	A	A	
5 Legal	Legal need awareness of the legal obligations and ensure they are contractually captured (where approprioate)													
6 Other functions including Audit, Communications, Security	Other functions role will depend on individual projects													

What is the purpose of the Outsourcing Playbook?

The Outsourcing Playbook aims to provide Commercial, Finance, Project Delivery, Policy and other professionals with guidelines, rules and principles that will help them to avoid the most common errors observed in outsourcing projects and get more projects right from the start.

The Outsourcing Playbook describes 'what' should be done. 'How' things should be done is described in a series of supporting guidance notes referenced out from this document. The new or refreshed guidance notes for this second edition are:

- Delivery Model Assessments
- Testing and Piloting Services
- Risk Allocation and Pricing Approaches
- Bid Evaluation
- Competitive Dialogue and Competitive Procedure with Negotiation
- Should Cost Modelling
- Assessing and Monitoring the Economic and Financial Standing of Suppliers

These complement the first edition guidance notes which remain up-to-date and the latest guidance on:

- Market Management
- Approvals
- Benefit Measurement
- Resolution Planning

The standards that people should work to are specified within **GovS 008 Commercial**, **GovS 002 Project Delivery** and **GovS 006 Finance** respectively.

What is the scope of the Outsourcing Playbook?

The Outsourcing Playbook applies to the delivery of public services. The guidelines, rules and principles are good practice for any procurement.

Additionally, the Government Digital Service sets out in the **Service Manual** how to deliver IT and digital services.

Framework agreements (and dynamic purchasing systems) for outsourced services are in-scope of the Outsourcing Playbook, and should be setup in accordance with the guidelines, rules and principles set out. Call-off contracts from frameworks (and dynamic purchasing systems) need to be fully understood for complex outsourced services and the **Crown Commercial Service** can provide advice on whether a framework is suitable.

For setting up and managing government grants, the Cabinet Office's **Grants Centre of Excellence** provides expert advice.

The diagram in Figure 3 summarises the key principles that apply to all outsourced services and the additional requirements that apply to complex outsourced services.

Compliance to the Outsourcing Playbook is being assured through departments' governance processes and central Cabinet Office controls (projects over £10m total value). Where a supplier has any concerns about public procurement practice or compliance to government policy, the Public Procurement Review Service is available.

The **Public Procurement Review Service** provides a clear, structured and direct route for suppliers to raise concerns anonymously about public procurement practice and provides feedback to enquirers on their concerns.

Figure 3. Scope of the Outsourcing Playbook

The Outsourcing Playbook Guidelines, Rules and Principles	
All Outsourcing Projects	**Complex Outsourcing Projects**
Are included in published departmental pipelines	Go through a Project Validation Review (PVR) • Include embedded support form the Complex Transactions Team (CTT), or other Cabinet Office commercial team
Complete a market health and capability assessment • Conduct early market engagement	Produce a should cost model
Undertake a proportional delivery model assessment • Engage with end-users, have clear aims and understand long term implications of of decisions • Consider the value of running an initial pilot • Collect and maintain quality data and allow subsequent validation of that data' • Provide bidders with a clear articulation of the service in a well written technical specification	Are subject to a pilot before full procurement • Consider the need for dialogue and negotiation • Apply low cost bid bias criteria
Design KPIs that are relevant and proportionate to the contract and, for the most important contracts, make three publicly available • Conduct meaningful formal engagement of the market	
Allocate risk to the party best able to manage it	
Adopt a pricing and payment mechanism that complements the aproach to risk transfer	
Assess and monitor the economic and financial standing of bidders	
Follow Resolution Planning guidance to help ensure continuity of critical public services • Plan early for what happens at the end of the contract • Ensure suppliers warrant data back to the department	

1 Pipelines and Market Management

Getting it right starts by having clear and transparent commercial pipelines and a good understanding of the market.

Pipelines

One of the most important things we can do is to prepare and maintain comprehensive pipelines of current and future government contracts and commercial activity.

The expectation of commercial practitioners is set out in section 3.3 of the **Government Commercial Functional Standard**. **Publishing commercial pipelines enables suppliers to understand the likely future demand across government.** This is particularly important for Small and Medium Enterprises (SMEs), and Voluntary, Community and Social Enterprises (VCSEs) who may have fewer procurement resources. By sharing early insights on planned activities, we can expect to achieve wider participation and greater diversity in our supply chains.

Published Commercial Pipelines should look ahead three to five years to be truly effective, but a minimum of 18 months. Complex outsourcing projects can require at least this period in preparation and planning to get them right. Allowing insufficient time for commercial activities is frequently flagged by the National Audit Office (NAO) as an indicator of project failure.

Market Management

Healthy, competitive markets matter because they support our ability to achieve value for money for taxpayers and drive innovation in delivering public services.

Good market management is about looking beyond individual contracts and suppliers. It is about designing commercial strategies and contracts that promote healthy markets over the short, medium- and long-term.

First generation outsourcing decisions can have a profound effect on market development. For example, those winning early contracts may acquire first mover incumbency advantages, accepting that they also take on increased risk. We should adopt models that promote competition and contestability over time, so that those that win the initial contracts know that they must deliver value for money and perform to the standards required for the delivery of the service or risk government taking its business elsewhere in future.

> “Publishing commercial pipelines enables suppliers to understand the likely future demand across government”

Mixed economies represent one way of broadening competition in a market and can therefore help drive value for money. However, where mixed economies are used, care is required to create a level playing field between public, private and third sector providers. The expectation of commercial practitioners for managing markets is set out in section 5.1.3 of the **Government Commercial Functional Standard**.

All potential outsourcing projects should include an assessment of the market early on during the preparation and planning stage. These assessments should then be kept under review through the life of a contract. Where potential weaknesses are identified, consider whether actions such as contract disaggregation could increase competition and improve market health.

Guidance for how to do this is contained within the Market Management Guidance Note. Departments can also request access to supplementary market intelligence collected by commercial teams in the Cabinet Office and Crown Commercial Service (CCS). Advice can also be sought from the Competition and Market Authority (CMA) in relation to more complex or substantial competition issues.

Innovation and Social Value

Adopting innovative solutions and emerging technologies enables the Government to improve our ways of working and achieve better public service outcomes. Innovation comes in a number of forms and starts with being open to new ways of thinking and creating forums where these ideas can be considered and assessed. Projects should engage in innovative thinking from the start through early dialogue with potential suppliers and understanding new technologies. Projects should also consider research and innovation-based procedures which go beyond market engagement into inviting the market to suggest novel solutions to problems.

Social value is one way of driving innovation through procurement by encouraging employment opportunities, developing skills and improving environmental sustainability. The public sector must maximise social value effectively and comprehensively through its procurement and should account for social value in the evaluation criteria. This will help to contribute towards a level playing field for the UK’s small businesses, voluntary and community sector organisations and social enterprises – they are often closest to our communities and can be well placed to deliver social value through the contract.

Early Engagement

We aren't afraid to talk to the market. We do it regularly – recognising the benefits to both departments and suppliers. It can help promote forthcoming procurement opportunities and provide a forum to discuss delivery challenges and risks associated with the project. Through this process we are able to understand the deliverability of our requirements and the feasibility of alternative options to help us deliver better public services.

Potential market engagement should actively seek out suppliers that can help to improve service delivery including **Small and Medium Enterprises (SMEs)** and **Voluntary, Community and Social Enterprises (VCSEs)** who are experts in the needs of service users and widely involved in the delivery of public services across the country.

To enable inclusive economic growth that works for all, assessments of the market and pre-market engagement should consider opportunities for wider social, economic and environmental benefits to communities.

Early market engagement should also be used to inform the development of the delivery model assessment approach, testing and pilots, the potential procurement procedure, possible bid evaluation criteria and overall project timetable to ensure that when going to the market potential suppliers have sufficient time to respond to tenders.

Serivces are tested at the Strategic Outline Case stage to ensure that engagement has been sufficiently early for suppliers to understand the requirement and for the department to reflect on any feedback received.

All preliminary market consultation must observe the principles of public procurement and be handled in such a way that no supplier gains a preferential advantage. In practice, this means not setting the technical specification to suit a particular bidder and making sure any information shared is also available during the tender procedure. It is good practice to openly announce any preliminary market consultation by publishing a Prior Information Notice (PIN) and Early Market Engagement Notice or Future Opportunity Notice on Contracts Finder.

Transparency

Transparency and accountability of public service delivery data and information builds public trust and confidence in public services. It enables citizens to see how taxpayers' money is being spent; and allows the performance of public services to be independently scrutinised. It also supports the functioning of competitive, innovative and open markets by providing all businesses with information about public sector purchasing and service providers' performance.

Buyers should explain transparency requirements to potential suppliers as early as possible in the procurement process and set out clearly in tender documentation the types of information to be disclosed on contract award and thereafter.

Key Points

1. Publish commercial pipelines so suppliers understand likely future demand for services across government.
2. Assess the health and capability of the market you will be dealing with and consider how your commercial strategy and contract design can be adapted to address potential weaknesses.
3. Consult widely and encourage broad participation, particularly with SMEs and VCSEs.
4. Engage early with the market and be ready to demonstrate in your Strategic Outline Case (SOC) that your proposals have been informed by both your market health and capability assessment and feedback from potential suppliers.
5. Consider how you will drive innovation & social value through the procurement.

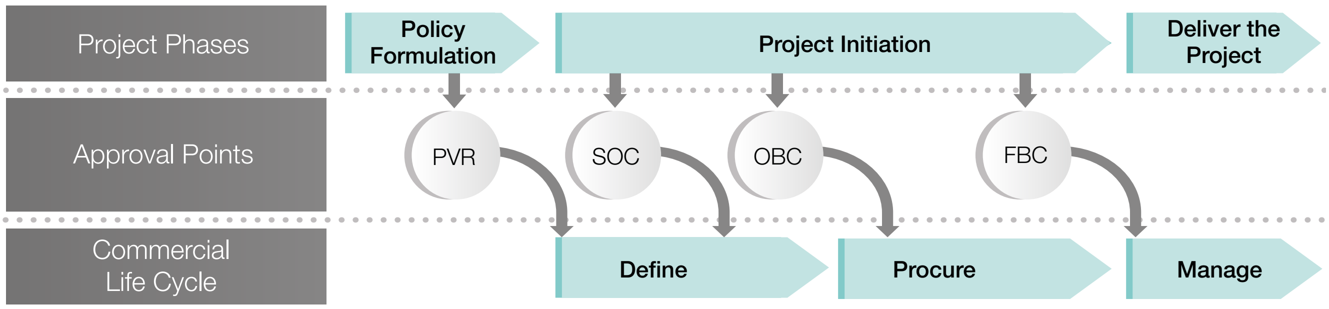
Want to know more?

1. **GovS008 Commercial Functional Standard**
2. Market Management Guidance Note
3. Introductory Guide to the Social Value Act for policymakers
4. For Civil Servants, weekly newsletters on government strategic suppliers can be requested from **marketsandsuppliers@cabinetoffice.gov.uk**. Supplier factsheets and market reports for common goods and services can be requested from **ci@crowncommercial.gov.uk**
5. Advice from the CMA can be sought via **advocacy@cma.gov.uk**
6. Guidance on transparency and the publication of tender and contract documents. Procurement Policy **Note 02/17**: Promoting Greater Transparency and in Procurement Policy **Note 01/17**: Update to Transparency Principles.

2 Approval process

To ensure a smooth transition through the approval process, it is critical to engage early with departmental and central assurance teams.

Figure 4. Typical Approval Process



Project Validation Reviews

Any new initiative that is likely to result in a major project, is required to go through a Project Validation Review (PVR). This also now applies to all **complex outsourcing projects**.

If the value of a standard outsourcing project is greater than the departmental delegated expenditure limit or it is considered to be strategically significant, then a PVR may still be required. Departments should consult Cabinet Office Controls Team, HM Treasury and the Infrastructure and Projects Authority.

The PVR must occur during the early stages of preparation and planning, and before any public commitment is made. It consists of a short independent peer assessment that takes place ahead of the transition from policy to delivery. Further information can be found in the Major Project approval and assurance guidance.

For all projects over £10m (total contract value), additional controls are applied by the Cabinet Office. Departments are encouraged to engage with the Cabinet Office Controls Team as early as possible. If the outsourcing project is considered to be complex, a member of the **Complex Transactions Team**, or another Cabinet Office commercial team, will also be embedded.

The benefit of applying the full weight of cross government expertise to outsourcing projects is realised in the deliverability, affordability and value for money of the project. Getting all teams on the same page from day one puts us in a position to make good decisions, right from the start. The expectation of commercial practitioners is set out in section 3.4 of the **Government Commercial Functional Standard**.

> “The PVR must occur during the early stages of preparation and planning, and before any public commitment is made ”

The commercial conversation continues after the PVR and SOC. **Departments are encouraged to make use of available resources and knowledge from across their own organisation, wider government and in the central commercial teams throughout the approval process.**

Key Points

1. All complex outsourcing projects go through a Project Validation Review (PVR).
2. The benefit of applying the full weight of cross government expertise to outsourcing projects is realised in the deliverability, affordability and value for money of the project.
3. Departments are encouraged to continue the commercial conversation through Outline Business Case (OBC) and Final Business Case (FBC) approval stages.

Want to know more?

1. Major Project approval and assurance guidance
2. A short ‘plain English’ guide to assessing business cases
3. Approvals Process Guidance Note
4. For advice on engaging the HMT Spending Teams, contact your departmental approval and scrutiny lead
5. For guidance on the IPA assurance process contact **gateway.helpdesk@ipa.gov.uk**
6. If you have any questions regarding Cabinet Office controls contact **cabinetofficecontrols@cabinetoffice.gov.uk**
7. Contact the Complex Transactions team via **cttbusinessoperations@cabinetoffice.gov.uk** if you are seeking central commercial support on a complex outsourcing project
8. Contact the **Crown Commercial Service** if you wish to procure common goods and services

3 Delivery Model Assessments

A delivery model assessment can help address the different challenges that come from outsourcing or insourcing a service, or one of its components.

The delivery model assessment (also known as the 'Make versus Buy assessment') is an analytical, evidenced based approach to reach a recommendation on whether a Department should deliver a service, or part of a service, in-house, procure from the market or adopt a hybrid solution.

It is a strategic decision that should be given consideration with an appropriate level of attention and foresight applied. This should take place early enough to inform the Strategic Outline Case (SOC).

How the decision should be made

To determine which service delivery model offers best value for money, a detailed analysis of the costs and benefits of each option is required. This should include a comprehensive evaluation of the risks, and the possible consequences – economic, human and technological – of outsourcing, insourcing, and/or adopting a mixed economy approach. **The Orange Book** provides further detail on how to assess and manage risks.

Figure 5, provides a stuctured framework to assess these factors, consistent with the options appraisal approach prescribed in the Green Book. For complex projects, departments should consult the Cabinet Office before beginning the delivery model assessment for expert support and independent facilitation.

When is a delivery model assessment required

Delivery model assessments are required in the following scenarios and are generally good practice for all projects:

1. Upon the introduction of new public services.
2. The identification of a significant new development to an existing service (such as a new technology requirement).
3. Where there is a need to re-evaluate the delivery model of existing services, for example due to deteriorating quality of delivery, a major policy or regulatory change, departmental cost reduction, significant change in strategic direction or transformation programmes.

Figure 5: Delivery Model Assessment Approach

1 Frame the Challenge

Clarify the motivation for change. Setup an appropriate cross-functional team and identify key stakeholders to inform the delivery model assessment. Agree the sponsor and governance approach including a project board.

For complex projects, you should consult the Cabinet Office before beginning the delivery model assessment.

2 Define the Service, Delivery Model Options and Data Inputs

For existing services, start by mapping out the 'as-is' process. Iteratively create a clear service definition through engagement with the market.

Agree the different delivery options to compare through evaluation.

Identify the key data inputs you will need to complete the assessment and start to gather these.

5 Assess Strategic and Operational criteria

	Strategy **Consider whether the service delivery model aligns with your medium- & long-term organisation and service strategy**	**People & Assets** **Consider where capability and resources are best placed to deliver the service**
All Delivery Model Assessments	• Consider the Organisation and / or programmes' strategic objectives • Consider the impacts on cross-Government strategic priorities and commercial policies including SME target, Social Value and innovation.	• Consider the short and long term impacts of TUPE regulations and asset transfers.
Service is new or not currently outsourced	• Consider whether the service lends itself to outsourcing • Consider who is best placed to drive continuous innovation and improvement.	• Consider whether there are any short- or long-term problems with not having in-house capabilities
Service is currently outsourced	• Consider whether the service lends itself to insourcing • Consider whether internal delivery can match or better the supply market for continuous innovation and improvement.	• Consider whether you are able to acquire or build the required capability • Consider whether you have sufficient organisational capability and capacity including senior management and backroom functions

6 Align the analysis and reach a recommendation

Combine the whole life cost evaluations with the strategic and operational criteria for each delivery option.

Analyse the overall outputs to reach a recommended delivery model.

Potential Outcomes

In-house – Develop own solution using internal infrastructure and expertise.

Mixed (Make & Buy) – Components provided in-house and by external partner.

Buy – Buy in solution from an external provider (outsource the service).

Alternative Commercial Delivery Vehicle (JV, GovCo) – Commercial enterprise with an external partner where both parties invest in the solution. **Expert advice should be sought before adopting this option.**

These stages can be completed in parallel

3 Assess the whole life cost of the service

Use your specification to identify potential cost drivers for the life of the service for all delivery options.

For complex projects, a 'Should Cost' model is required. This may take several weeks (or longer) to build and can be done in parallel to steps 4 and 5.

4 Establish the Strategic and Operational evaluation criteria

Using the framing at step five, engage with key stakeholders to agree specific Strategic and Operational criteria and weightings.

Ensure that these are both signed off by your project board before commencing the assessment.

5 Assess Strategic and Operational criteria

Delivery	Market & Suppliers	Risk
Consider who is best placed to deliver specific solution and maintain continuity of service	**Consider whether there is a viable market for delivering the service (or one can be created)**	**Consider how you can best minimise overall risk**
• Consider organisational readiness to deliver the solution including delivery experience, change flexibility and resource availability.	• Consider the maturity of the market, whether it is operating at scale, is the service commoditised?, and long-term impact on the market.	• Identify the risks in delivering the service, consider who is best placed to manage them, and what impact this has on where activities should sit.
• Consider whether you could guarantee continuity of service (through transition and beyond) or put in place plans to do so if the service was outsourced.	• Consider the outputs of your market assessment including the market's overall health and the possible levers you have to change this and the time and effort it will take to do so.	• Consider the overall risk profile including reputational and delivery risk, and who is best placed to manage high profile risks.
• Consider whether you can transition the service from the existing delivery model in your timeframe • Consider whether you need an alternative commercial delivery vehicle as an interim step.	• Consider whether exiting the market will have a wider impact on the delivery of other public services.	• Consider what impact a change in your delivery model would have to your overall risk exposure (including delivery risk and including cross-government impact).

7 Sense check your findings

Learn from evidence, past-projects and colleagues across Government and the private sector to test and sense-check your findings. Consider a Red Team review to validate your recommendation.

Complete further market engagement where needed and where a service line is redrawn.

8 Implement the recommended service delivery model

Delivery model assessments are expected to be iterated over time. The initial assessment should inform the project's Strategic Outline Case.

Department should reassess the delivery model assessment ahead of the Outline Business Case.

Put in place a clear plan for implementation and monitoring service delivery and quality.

The delivery model assessment should be proportional to the criticality, complexity and size of the project and completed early in the preparation and planning stage in order to inform the development of options in the Strategic Outline Case (SOC).

Delivery model assessments are expected to be iterated over time in-line with the Business Case development process set out in the Green Book. The department should then reassess the delivery model assessment ahead of the Outline Business Case and ensure that any assumptions have been validated and factored into the Full Business Case.

The process to run a delivery model assessment is set out in detail in the additional guidance note.

Using Should Cost Models to understand whole life costs

Having a clear understanding of the whole life cost of delivering a service, and/or the cost of transforming a service is best achieved by producing a Should Cost Model. The Should Cost Model consists of:

- In-house model. This is the whole life cost to deliver the service in-house using internal resources and expertise including acquiring assets and the necessary capability. This can be used to compare costs against the 'Expected Market Cost' at a high-level to inform your delivery model assessment.
- Expected Market Cost model. This is the expected whole life cost of procuring a service from an outside supplier. Use early market engagement to ensure the model is comparable to the bids you expect to receive from the market.

It is good practice to produce a Should Cost Model for all procurements. **Where a complex service is being considered for outsourcing, a Should Cost Model must be produced.**

The Should Cost Model will inform engagement with bidders, help to understand the risks and opportunities associated with delivering the service and ultimately help to accurately assess the deliverability of bids. The level of detail in a Should Cost Model can vary significantly and should be iteratively developed over time as more information becomes available. The additional guidance note on Should Cost Modelling and **HM Treasury guidance** on quality assuring government models provides further guidance.

When considering insourcing a service

Insourcing commonly refers to the process of transferring part or all of a service which was previously outsourced to an in-house service delivery model. Insourcing is a substantial transformation in service delivery model, and should have additional care and consideration applied before being undertaken.

There are a number of specific considerations before insourcing a service including:

- Ability to acquire or build and maintain the required expertise and assets.
- Impact of TUPE regulations and pension liabilities.
- Organisational governance, processes, and capability including senior management and backroom functions.
- Potential increase to risk exposure.
- Impact on market health and other public services.

> “Insourcing is a substantial transformation in service delivery model, and should have additional care and consideration applied”

- Interdependencies with other public services.
- Accessing required service information and intellectual property.

Characteristics of services which may be particularly challenging to in-source include:

- Lack of required specialist capability internally (e.g. specific technical capabilities) or assets;
- Reliance on specific intellectual property which sits with a (or a number of) supplier(s);
- Where the market has scale which is driving greater efficiencies;
- Where the market is continuously innovating and an in-house solution may not have the scale or expertise to replicate that; and/or
- Lack of senior management capacity or capability to transition, integrate and manage the insourced services.

When delivering a service in-house

Delivering a service using internal resources and expertise should be based on the same robust expectations set out in the Playbook for outsourced services.

This includes setting and monitoring performance against clear objectives and outcomes managed by appropriately qualified individuals. This is set out in detail in the Government’s Project Delivery standards. To help achieve these standards, you should consult the following sections in the Playbook:

- **Piloting the delivery of a service (see Piloting Delivery of a Service, page 28):** Testing a service on a small scale before full scale implementation can provide organisations with valuable data on a service and/or test best practice approaches.
- **Quality data and asset registers (see Preparing to go to market, page 32):** We should be collecting and maintaining data about our assets and services to enable us to make informed decisions when we need to.

- **KPIs and baselines (see: Preparing to go to market, page 33):** Ongoing monitoring linked to intended benefits in a proportionate and appropriate way is essential for all public services. **Where similar services are insourced and outsourced by a department, there is an expectation that comparable KPIs are set to enable fair and consistent comparison of delivery models and service levels.**

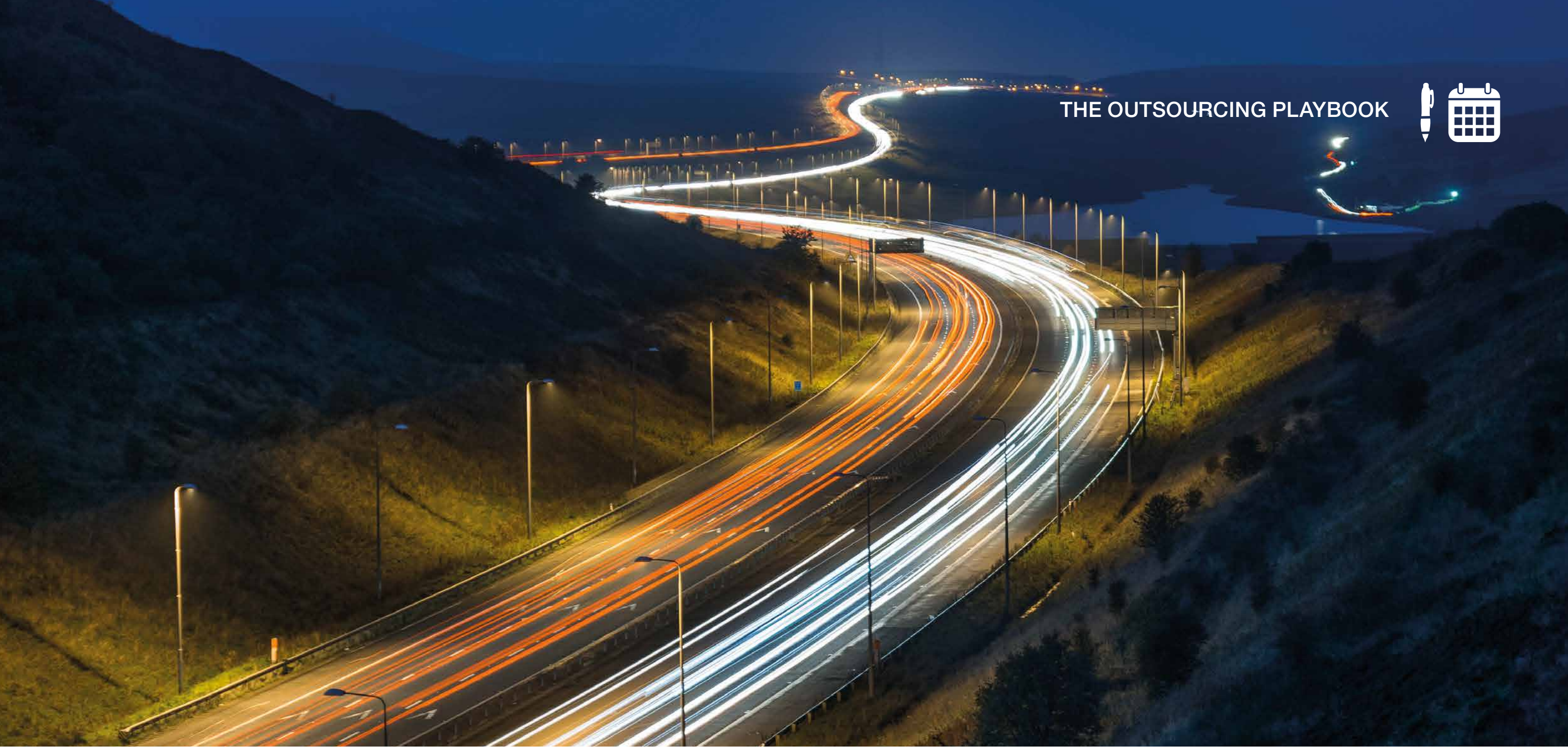
The **Infrastructure and Projects Authority** offers expertise in all aspects of project delivery including training, guidance and resources.

When considering outsourcing a service

Some services will carry more risk than others when outsourcing, for example: complex outsourcing services present the Government with more commercial, operational and reputational risk, not all of which can or should be transferred to the supplier (see Risk Allocation Guidance Note).

It can be more challenging to fully outsource services that have any of the following characteristics:

- Core to departmental purpose and objectives;
- Complex (as defined on page 10) or high risk and without proven market capability;
- Novel and therefore with a limited market to source from;
- Experienced many operational difficulties in the past;
- Where policy is in flux for a long period, creating greater uncertainty;
- Poorly understood and/or not well defined; and/or
- Disproportionate effort and cost to bring back in-house in future.



Key Points

1. The delivery model assessment should take place early in the preparation and planning stage of an outsourcing project before the Strategic Outline Case
2. Conduct a thorough analysis of value for money to determine whether services are best delivered 'in-house', with the support of a third party or through a mixed model.
3. All complex outsourcing projects must produce a Should Cost Model.
4. Put in place the right resources and engage with key stakeholders to fully understand the environment, constraints, requirements, risks and opportunities.
5. Consider the additional challenges on insourcing a previously outsourced service and the expectations when delivering a service 'in-house'.

Want to know more?

1. **The Green Book: appraisal and evaluation in central government**
2. **Review of quality assurance of government models**
3. **The Aqua Book: guidance on producing quality analysis for government**
4. Market Management Guidance Note
5. Delivery Model Assessment Guidance Note
6. Should Cost Modelling Guidance Note
7. Contact the Complex Transactions team via **cttbusinessoperations@cabinetoffice.gov.uk** if you are seeking central commercial support on a complex outsourcing project
8. Contact the Commercial Models team via **commercialmodels@cabinetoffice.gov.uk** if you are seeking advice on potential commercial models for your service

4 Piloting First Generation Outsourcing

When we choose to outsource something for the first time, we treat it as a special case and apply additional scrutiny and assurance.

Piloting delivery of a service

Where government is outsourcing a service for the first time there is a presumption that a pilot should be run first as part of a robust programme of testing, in recognition of the inherent uncertainty of first-generation outsourcing, before deciding on a long-term delivery model. We will take a pragmatic approach to this presumption and exemptions can be agreed where it isn't practical or beneficial to run a pilot.

Options for running pilots

Across government, the concept of 'piloting' new services has come to mean many different things. We recognise that pilots are only one form of a range of testing approaches which provide insight and evidence into what works. Other methods of testing include:

- **Trial Programmes and Proofs of Concept:** The theoretical or live testing of policies or processes to check that they will deliver their intended outcomes.
- **Scoping Phases, Agile Approach and Innovation Partnerships:** Processes that help to develop and build the final requirements using structured, iterative ways of working. These may involve theoretical testing or may take place in a live environment.
- **Test and Learns:** The testing of one or more delivery options to identify which will best achieve the objectives.
- **Pilots:** The final stages of testing a preferred option usually on a small-scale to ensure that all the 'rough edges' and logistical issues can be addressed before a full-scale rollout.

In many instances it will be appropriate for departments to use one or more testing approaches at earlier stages of project development, with the Pilot being the final testing stage prior to a full-scale rollout of services. The Testing and Piloting Services Guidance Note sets out when certain tests may be more appropriate in a project lifecycle.

> “Where a service is being outsourced for the first time, there is a presumption that a pilot should be run”

Early testing enables departments to understand the viability of a project or outcome at its various stages of development. This allows the department the opportunity to change the course of action, limiting cost and time where it becomes apparent that the project will not deliver the required outcome. Tests can also be used to explore new technologies and delivery innovations for services that are already outsourced.

When to test and pilot

Not all testing approaches will be required for every project. Testing approaches should be proportional to the size, complexity and level of uncertainty in delivering a service.

Planning which testing approaches to include and whether to include a Pilot should begin at the earliest strategic stages of a project, before the start of any procurement process, and should be incorporated into the delivery model assessment, sourcing strategy, bid documents and evaluation processes. Ensure you communicate the likelihood that a pilot phase will be used through early market engagement to seek feedback from the market to inform the procurement.

The testing programme should align to key project milestones throughout the lifecycle of the project up to full implementation.

Designing effective tests and pilots

Tests, including pilots, should be developed to ensure success and the most value is obtained to mitigate potential risks prior to scaled implementation. There are a number of factors to take into consideration in designing effective tests and pilots, and detailed guidance is provided in the Testing and Piloting Services Guidance Note.

Key considerations include:

- Set clear, measurable objectives and success criteria;
- Identify the scope and scale of what will be tested, and where they will be run;
- Put in place the right resources;
- Establish clear timescales and embed these in the overall project plan;
- Ensure the right commercial mechanisms are in place; and
- Allow sufficient time at the end of tests for due consideration of the results.

Key Points

1. Services that are being outsourced for the first time are considered complex and the presumption is they will be subject to a pilot before advancing to full procurement.
2. Pilots may also be helpful where an outsourced service is undergoing a transformation, where there is poor competition in the market and/or to test new technology or innovation.
3. Pilots are one form of test, and other testing approaches should also be considered as part of a robust testing programme.

Want to know more?

4. Testing and Piloting Guidance Note
5. **The Magenta Book: Guidance for evaluation**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5 Preparing to go to market

Preparation is the key to achieving flexible and efficient procurement processes that encourage broad participation and are open and accessible to all.

Publication

Make use of the options available to publicise your early engagement activity, this can be done via a Prior Information Notice on OJEU/TED and through a Future Opportunity or Early Engagement Notice on Contracts Finder as appropriate.

If calling off a framework, Crown Commercial Service (CCS) can support early engagement activity.

Ensure that legal and policy requirements for advertising your procurement are met. This includes the publication of the tender documents.

Quality data and asset registers

We should be collecting and maintaining sufficient data and information about our assets and services to enable us to make informed decisions when we need to. This includes early delivery model assessments; those that shape commercial strategies; decisions that promote market health; and designing fair contracts and making good deals. All of which depend on the quality of information and data.

Suppliers are dependent on us having good data. The only way they can assess whether the delivery model and pricing structure that we take to market is deliverable and sustainable is if it is based on quality data.

We are committed to providing accurate data and/or building in flexibility to allow for subsequent validation of data (consistent with procurement legislation), particularly with first generation contracts, and expect pilots to be used to generate this information.

Where we are carrying out second (or subsequent) generation procurements, we rely on data provided by the incumbent. Good contract management throughout the life of the contract is essential to ensure that the incumbent consistently provides and updates this information.

It is only once we have these elements in place that we can engage the market in a fair and open way and provide sufficient information for bidders to make an informed decision about whether they want to bid.

Clear specifications

A precursor to fair and open market engagement is a clear technical specification, which must provide sufficient information for bidders to make an informed decision about whether they want to bid.

> “In line with the cross-government transparency agenda, three KPIs from each of the Government’s most important contracts will be made publicly available”

Without this shared understanding, we cannot expect to be able to relate the price offered by bidders to our own understanding of costs. And if we cannot do that, then we will always be open to risk that we will not get the outcomes we want at the price we need.

KPIs and baselines

Appropriate specifications and performance measures are the foundation of a good contract. With the right KPIs in place, it should follow that contracts are designed to incentivise delivery of the things that matter, to minimise perverse or unintended incentives and to promote good relationships.

It is important that KPIs are relevant and proportionate to the size and complexity of the contract. Getting this wrong can create confusion and tension. For instance, having too many KPIs (i.e. more than 10-15 per service) will lead to over-complicated contracts and ambiguity with suppliers. KPIs should also be set to align with the intended benefits to be realised during contract delivery (e.g. working within cost thresholds; achieving minimum performance outputs; and/or maintaining a minimum level of customer satisfaction).

Misunderstandings about how KPIs work, or how they are measured can make it difficult for bidders to price them and can result in unintended outcomes and/or service failures. It is important to work closely with your bidders and suppliers to ensure KPIs are jointly shaped and understood.

In line with the Government’s transparency agenda, three KPIs from each of the Government’s most important contracts will be made publicly available. These should be the three most relevant to demonstrating whether the contract is delivering its objectives, and they should be measured regularly.

A specific review of the benefits being realised during contract delivery is initially done at the 12-month stage of a contract, and every 12 months thereafter ‘on a comply or explain’ basis. A sample of projects are routinely checked by Central Approvals and Scrutiny.

Designing evaluation criteria and avoiding a bias towards low cost bids

In order to help avoid a bias towards low cost bids the following should be considered when designing evaluation criteria:

- A 'Should Cost Model' been developed to help understand what the right cost (or cost-range) is and what financial elements should form the whole-life cost calculation
- The approach to evaluating quality includes objective criteria which are relevant to the service requirement, weightings applied according to the importance of the criteria and a scoring approach which promotes effective differentiation

The evaluation model should be developed iteratively by refining versions over time, with outline evaluation criteria tested with potential bidders as part of early market engagement. See the Bid Evaluation Guidance Note for further information.

Resolution planning

Standard clauses dealing with resolution planning should be included in draft contracts.

Where we are procuring a critical service contract, we will want the successful bidder to provide us with resolution planning information during the life of the contract and should make this clear in the contract notice.

More information on resolution planning can be found on pages 50-52.

Protecting against supply chain risk

The Model Services Contract (MSC) includes various protections against supply chain risk. These include step-in rights, the approval of key sub-contractors and assignment and novation provisions.

When planning a procurement we should consider whether to incorporate additional protection. For example, we could require that the supplier use a ring-fenced (or partially ring-fenced) entity to insulate us to some extent from the impact of adverse events elsewhere in a supplier's business. Complete ring-fencing can, however, be difficult and expensive to achieve and limit bidder appetite.

Protecting against costs arising from supplier insolvency

As part of procurement planning we should consider how best to protect ourselves against costs arising from supplier insolvency.

In most cases the optimal approach will be through self-insurance although performance bonds are common in construction contracts and should be used where they provide value for money. Where we self-insure, we should recognise the risk in the Business Case, agree who is carrying it and include a notional cost in the delivery model assessment.

Prompt payment

The Government understands the importance of prompt, fair and effective payment in all businesses. Being paid promptly for work done ensures businesses have a healthy cash flow.

When procuring services (or goods/works) goods with an anticipated contract value above £5 million per annum departments must include an assessment of a supplier's payment systems to demonstrate it has a reliable supply chain and determine when it would be appropriate to exclude those suppliers that cannot demonstrate they have effective systems in place. Additional guidance can be found in **PPN 04/19**.

Key Points

1. Invest time in preparing to go to market in order to conduct procurements that encourage broad participation and are open and accessible to all.
2. Collect and maintain quality data and accurate asset registers.
3. Consider the need to build in flexibility to allow for post-contract validation of data (consistent with procurement legislation).
4. Offer potential suppliers a clear articulation of the service being procured so they can make an informed decision about whether they want to bid.
5. Design KPIs that are relevant and proportionate to the size and complexity of the contract and select three to be made publicly available.
6. Plan for an annual review of benefits realisation after contract signature.
7. Design contracts that set reasonable expectations of suppliers and offer a fair return.
8. Consider the criticality of the service contract and determine whether resolution planning information will be required.
9. Consider supply chain risk and whether to require any additional protections. When procuring services (or goods/works) goods with an anticipated contract value above £5 million per annum departments should include an assessment of a supplier's payment systems.
10. Consider how best to protect against costs arising from supplier insolvency.

Want to know more?

1. **Onerous practices in procurement and contracting PPN10/16**
2. Benefits Measurement Guidance Note
3. Resolution Planning Guidance Note
4. **The Public Contracts Regulations 2015, Regulation 69: Abnormally low tenders**
5. Guidance on taking account of a supplier's approach to payment in the procurement of major contracts is available in Procurement Policy **Note 04/19**

6 Routes to market

When outsourcing more complex services it is important to pick a procurement procedure that allows for appropriate dialogue and negotiation.

Which Procurement Procedure?

Cabinet Office policy on the choice of procurement procedure can be found in the **Availability of Procurement Procedures PPN 12/15**. This policy note includes a procurement decision tree showing a general preference for the Open Procedure to be used, with other procedures shown as exceptions.

An exception is the use of Competitive Dialogue (CD) or Competitive Procedure with Negotiation (CPN), which allow for a reduction in the number of suppliers to be invited to tender and the ability to dialogue and negotiate about complex issues and areas of risk.

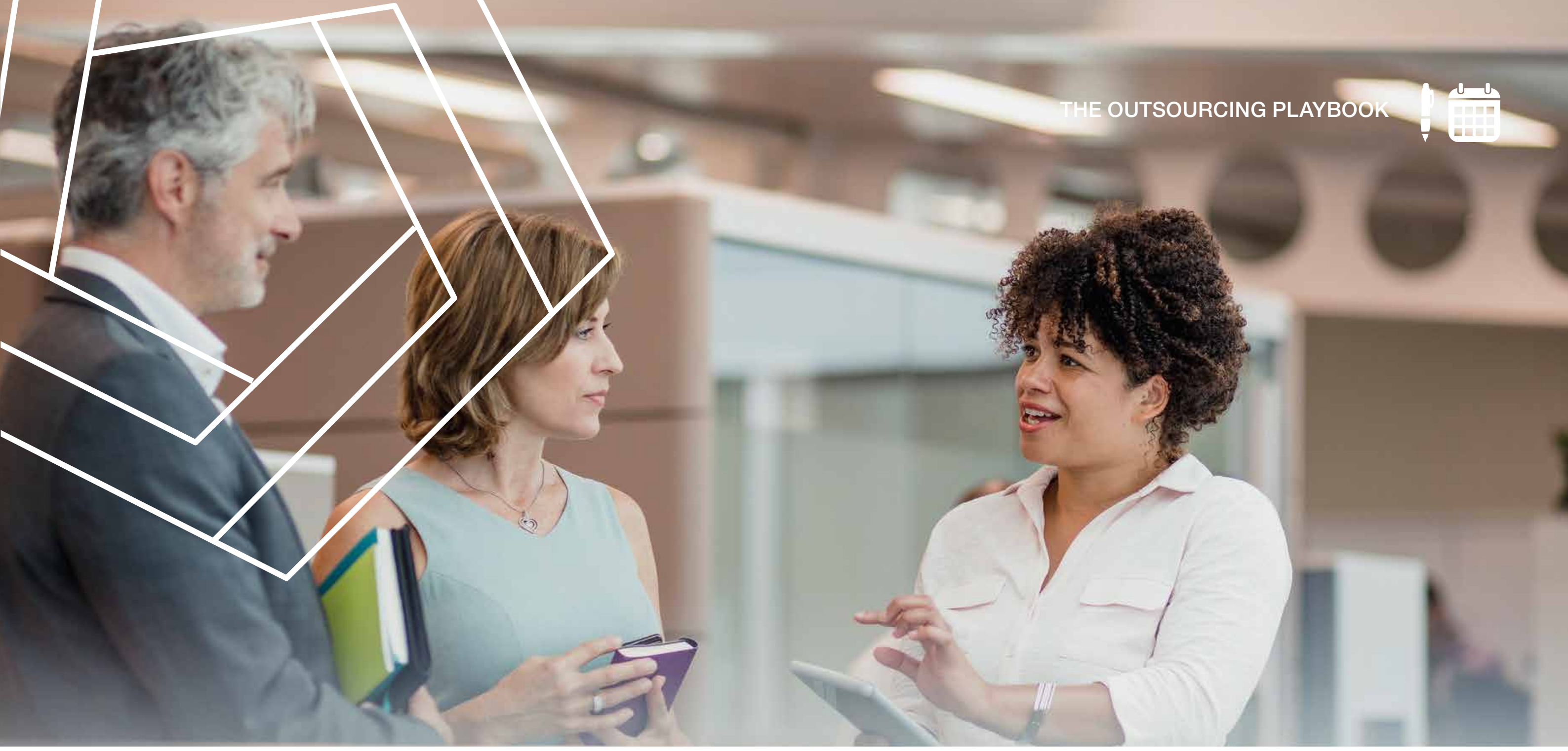
A number of approaches, including pre-commercial procurement and innovation partnerships, can be used where the services to be procured are entirely novel, or being applied in a new industry or policy theme for the first time. They allow for a combination of research and development, and the subsequent procurement of the developed solution within a competitive and transparent process. For example, in an innovation partnership, the service that is to be outsourced is piloted but is gradually contractualised throughout the pilot.

Early market engagement will inform the choice of procurement procedure. If, as an outcome of this engagement, the department identifies areas of complexity and risk that will benefit from dialogue and/or negotiation, it should select the CD (or CPN). PCR Regulation 26 sets out the circumstances when the CD (or CPN) procedure can be used.

Using Dialogue and Negotiation

Meaningful formal engagement is critical to the successful outcome of any dialogue/negotiation. When used correctly, both CD and CPN offer significant and clear benefits, in particular, enabling risk and assumptions to be thoroughly tested, solutions to evolve and the foundations established for ensuring a successful contractual outcome for all parties and stakeholders.

The cost of carrying out either CD or CPN is likely to be significant for both the department and bidders but if done well represents a good investment.



A successful dialogue/negotiation strategy will:

1. Be commercially and business driven;
2. Enable the early identification of areas of complexity and risk that would benefit from dialogue or negotiation;
3. Restrict dialogue/negotiation to areas that will benefit from this process;
4. Identify a strong chair to lead dialogue/ negotiations, supported by a team with defined roles and appropriate skills and experience;
5. Be based on pre-agreed negotiation positions;
6. Adopt an appropriate and clear timetable, coupled with strong programme and project management disciplines to mitigate the risk of cost and time overruns.

Further detail on how to run a CD or CPN process is set out in the guidance note.

Use of Frameworks

Frameworks (and dynamic purchasing systems) are an efficient method for government to procure common goods and services. They provide the opportunity for departments to access economies of scale and benefit from greater value for money. **CCS** provides a range of frameworks (and dynamic purchasing systems) to central government and the public and third sectors to purchase **common goods and services** from locum doctors and laptops to police cars and electricity. The full list of categories and agreements can be found **here**. This includes a number of frameworks aimed at innovative solutions:

- The **'Spark' framework** (RM6094) provides a route to market for new technology products including technologies like AI and virtual reality. Spark will help enable growth in the UK technology sector, making it easier for SMEs to access government customers and improve the ease and speed at which the government can access proven new technology.
- The new **'Automation Marketplace'** is a Dynamic Purchasing System offers a wide range of automation services which aim to unlock business and social value with creative and innovative approaches to problems.

However, using frameworks inappropriately can have negative consequences for departments, markets, and suppliers and can unintentionally inflate prices. Any services that are not common across government should be subject to the full procurement process, including meaningful engagement with bidders.

In addition, where possible and appropriate, dynamic purchasing systems should be used so that other suppliers can be added during the life of the arrangement, in order to maintain an open and competitive market (subject to them meeting the same objective criteria as existing suppliers).

Keeping bid costs down

The cost of bidding for government contracts is frequently cited as a reason for not bidding and as a barrier to entry for SMEs and VCSEs. Procurement processes should be of proportionate duration and effort to the size and complexity of the contract opportunity. By making our procurement processes unnecessarily complicated or protracted, we risk minimising the pool of bidders and stifling competition.

Key Points

1. All complex outsourcing projects should consider the need for dialogue and negotiation to achieve the desired outcomes.
2. Common goods and services should be purchased through a government framework.
3. Bespoke services should be subject to a full procurement process that allows for appropriate dialogue with the market.
4. Procurement processes should be of proportionate duration and effort to the size and complexity of the contract opportunity so as not to create a barrier to entry for SMEs and VCSEs.

Want to know more?

1. **Availability of Procurement Procedures (Decision Tree) PPN 12/15**
2. **The Public Contracts Regulations 2015, Regulation 26: Choice of procedures**

7 Model Services Contract

The latest Model Services Contract is a great starting point for a wide range of government services, and provides contractual clauses to support the policies set out in the Playbook.

The latest Model Services Contract is a great starting point for a wide range of government services, and provides contractual clauses to support the policies set out in the Playbook.

The Model Services Contract (MSC) is published by the Cabinet Office and the Government Legal Department and comprises a set of model terms and conditions for major services contracts. It is intended for use by commercial specialists and lawyers and aims to aid assurance and reduce administration, legal costs and negotiation time.

Where the MSC is not appropriate in its entirety, departments should still consider including in their contracts the provisions in the MSC which support the policies set out in this Playbook, this includes:

- Corporate Resolution Planning schedules
- Appropriate allocation of risk
- Allowable assumptions mechanisms
- Publication of Key Performance Indicators

Using the Model Services Contract

The whole of the MSC should be reviewed to ensure it meets the needs of the project. Some of the schedules require detailed input to make sure they reflect the specific services being procured. For example, the Services Description (Schedule 2.1), the Standards (Schedule 2.3), and Testing (Schedule 6.2). There are other areas that are already populated, but these may also benefit from tailoring to suit any unique requirements of the project.

In particular, users of the MSC should think about how to make the following areas to reflect their priorities, and the capability and appetite of the market:

- Performance management: number and type of performance indicators, service credits and service points
- Insurance levels and parent company guarantees
- Charges and Invoicing: use of milestones, appropriate indexation
- Pricing mechanism
- Benchmarking
- Financial distress
- Governance and contract management structure

Users should seek assistance from Government Legal Department (GLD), or in-house legal team, when changing contract terms, and make sure that any risks are assessed and recorded.

Users should also consider what level of review and approval is required within their department for any changes made to the MSC and that the Government's wider procurement policies are delivered through the contract.

Formal and informal engagement with potential suppliers will also help determine whether standardised terms are appropriate for the industry. This will help structure the contract to balance risk between parties fairly and appropriately. Sensible, flexible and appropriate use of the MSC will help to demonstrate where priorities lie and encourage suppliers to deliver them.

Key Points

1. The Model Services Contract (MSC) is a convenient and flexible starting point for a wide range of government services.
2. Some areas of the MSC require tailoring to reflect priorities and the capability and appetite of particular markets – this should be completed with the aid of legal advice and support.
3. Users should seek assistance from Government Legal Department (GLD) when changing contract terms.

Want to know more?

4. **Model Services Contract**

8 Formal engagement with the market

Suppliers have a choice whether to work with us or not. Genuine and meaningful formal market engagement helps to ensure that more suppliers want to work with government.

Setting the tone

All outsourcing projects should be run in accordance with the **Supplier Code of Conduct**. This recognises the joint nature of public service delivery and sets out how we achieve constructive and collaborative engagement with suppliers. The Contract Notice and tender documentation should carry a statement to indicate that the procurement will be run in the spirit of Supplier Code of Conduct. This also helps to ensure that government is seen as an attractive client to do business with.

Procurement Timelines

Suppliers need sufficient time to develop and price solutions, raise clarifications and respond with high-quality responses to tender documentation. Experience tells us that inadequate timescales can result in rushed solutions which may miss opportunities to innovate or deliver better solutions.

Early engagement with the market will help to inform what time is appropriate for a specific procurement and this should be set out in the procurement and project timelines.

Risk allocation

Ensuring that risks sit with the party best able to manage them is central to the Government's approach to delivering value for money and partnering with the private sector.

Inappropriate allocation of risk remains one of the main concerns of suppliers looking to do business with government. It is also one of the most frequent issues raised by the NAO in their audits of government contracts. It will therefore be a key area of discussion with prospective suppliers. Proposals for risk allocation should be subject to extensive scrutiny prior to going to market. Formal engagement should include the sharing of appropriate risk registers with prospective suppliers.

A good approach is to apply appropriate focus during commercial strategy development to agree the balance of risk between the supplier and the department. This should then be iterated through dialogue with potential bidders and then managed proactively during the life of the contract.

> "Ensuring that risks sit with the party best able to manage them is central to the Government's approach to delivering value for money and partnering with the private sector"

Ultimately we aim to get three things right:

- Identification, by studying the nature of the market, risk registers and lessons learned documents from related projects;
- Quantification, by assessing how likely, for example, based on past experience, an event is to occur and what the impact might be; and
- Allocation, by compiling a risk allocation matrix that considers who is best placed to manage the risk (i.e. whether it is a supplier, government or joint risk).

Getting risk allocation right in our contracts will lead to:

- Optimal pricing from the bidders
- Suppliers being paid a fairer profit margin in return for the risk they are accepting and the commitments and investments they make in order to deliver better public services
- Fewer performance and commercial issues during the life of the contract
- Reduced likelihood that the contract fails completely, and the supplier prematurely exits the contract or becomes insolvent

The Government's approach to managing risk is set out more fully in the **Green** and **Orange** Books, and the additional Risk Allocation Guidance Note.

When outsourcing departments are expected to:

- Not ask suppliers to take unlimited liabilities, other than the small number of incidences where this would not be lawful or where a commercial cross-government policy has been agreed.
- Where not addressed through the payment mechanism, ensure that contracts include appropriate indexation (i.e. using an index or basket of indices or measure that reflect the underlying costs of delivering the service) where the supplier is managing pricing risks outside their control.
- Share and mutually agree appropriate risk registers with bidders.
- Share all data (that is appropriate to do so) relating to the procurement.
- Not hold incoming suppliers responsible for errors in data (excluding forecasts) where they are unable to complete due diligence (volume forecasts are addressed under payment mechanisms). Where data turns out to be incorrect, subject to procurement law, there should be a contractual mechanism for reflecting this adjusting for errors. Any renegotiation should take place no more than a year after service commencement.

Fair Return

Short-term thinking can reduce the value for money that government as a whole is able to derive from markets. There are many examples where we have mandated unreasonable payment mechanisms, applied unreasonable terms and conditions and/or sought unsustainable cost reductions. This can create a bias towards low quality and can increase the probability of contract failures. In addition, suppliers may exit the market to the point where competition is severely weakened.

While it is important to guard against firms making excessive profits, the fundamental principle is that contracts need to be profitable and expectations need to be reasonable for suppliers to remain interested.

Payment Mechanisms

The pricing approach and the approach to risk transfer go hand-in-hand. If the department wishes to control how the services are delivered, it should adopt an **input-based pricing model and transfer no or minimal risk to the suppliers**. This normally means procuring resources on a 'Cost Plus' or 'Time and Materials' basis. The pricing and supplier margins should only reflect the input costs and scarcity of those inputs i.e. there is no "risk premium".

If the department considers that the supply market is best placed to determine the solution, it should specify the required solution or services outputs i.e. what to deliver. It is the supplier's responsibility to find the optimum way to deliver those outputs. In this scenario the department should also ensure that **the supplier takes any risks associated with delivering this output**. It is accepted that margins will be higher for contracts where suppliers take on the risk of delivery. In theory this is more than offset by greater expertise in delivery and greater efficiencies.

Departments should **avoid fixed price payment mechanisms where the scope of the contract is not fixed** (and relevant volume risks are outside the control of the supplier).

Onerous Contracts

A possible consequence of getting risk allocation and payment mechanisms wrong is that contracts can become onerous (loss making) for a supplier.

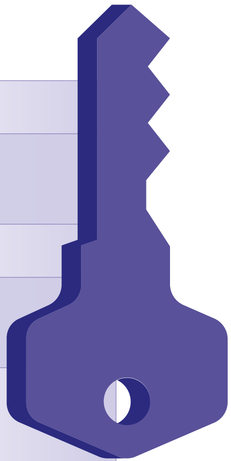
When a contract is publicly designated by a supplier as onerous, this should prompt a root cause analysis and a conversation with the supplier about the options available to address this.

Other barriers to entry and competition

Market engagement can also be used to understand other barriers that may be stopping suppliers from entering a market or competing on a level playing field. These barriers may include overly restrictive participation criteria, overly aggregated contracts, use of disproportionate liability clauses, or lack of access to certain information that is only held by incumbent suppliers. Once these barriers are understood, an assessment can be made as to whether they can be reduced without compromising other objectives.

Further guidance is available in the Market Management Guidance Note. Advice can also be sought from the Competition and Market Authority (CMA) in relation to more complex or substantial competition issues.

Key Points



1. Set a collaborative tone and provide clear escalation routes for suppliers.
2. Conduct meaningful formal engagement with the market to help ensure that suppliers want to work with us.
3. Risk should be allocated to those best placed to manage them.
4. The pricing and payment mechanism should go hand-in-hand with the approach to risk transfer and will be subject to greater scrutiny.
5. Where a department wishes to control how the services are delivered, it should adopt an input based pricing model and transfer no or minimal risk to the suppliers.
6. Where it is left to the supplier to determine the optimum way to deliver, the associated risks should also be with the supplier.
7. Avoid fixed price payment mechanisms where the scope of work is not fixed.
8. When a contract is publicly designated as onerous, this should automatically prompt a root cause analysis and conversation with the supplier.

Want to know more?

1. **Supplier Code of Conduct**
2. **The Green Book: appraisal and evaluation in central government**
3. **Orange Book: Management of risk – Principles and Concepts**
4. Risk Allocation and Pricing Approaches Guidance Note
5. Market Management Guidance Note
6. **NAO Commercial and contract management: insights and emerging best practice**
7. **Lean sourcing: guidance for public sector buyers**
8. Advice from the CMA can be sought via **advocacy@cma.gov.uk**

9 Due diligence during Selection

We have a responsibility to assure ourselves of the solvency and competency of suppliers that bid for our contracts. In return, we must prepare accurate specifications for suppliers to bid against and offer a fair deal.

The Selection Process

The selection process is used to determine whether bidders are able to **comply with exclusion grounds and demonstrate suitability** to carry out the contract. The Standard Selection Questionnaire (SQ) must always be used and some standard information may be obtainable via the **Supplier Registration Service**.

Part 2 of the SQ comprises a self-declaration regarding whether or not any of the Exclusion Grounds set out in PCR 2015 apply (further detail on mandatory and discretionary grounds for exclusion under PCR Regulation 57).

Part 3 of the SQ comprises a set of standard questions relating to suitability to pursue a professional activity; economic and financial standing; and technical and professional ability (further detail on selection criteria under PCR Regulation 58).

Economic and Financial Standing

It is particularly important that we get our assessments of economic and financial standing right. The key principle is to **safeguard the delivery of public services**, whilst being proportionate, fair and not overly risk averse. Guidance on how to do this is included in Assessing and Monitoring the Economic and Financial Standing of Suppliers Guidance Note.

The key principles of appropriate financial testing are:

- Objective is to determine bidders' financial capacity to perform the contract.
- Mitigations should be considered.
- Forms part of the overall judgement of suitability during Selection.
- Assessment must be proportionate to the size and nature of the contract, be flexible and not overly-risk averse.
- All bidders, whatever their size or constitution, should be treated fairly and not inadvertently disadvantaged by the tests employed.
- The Contract Tiering tool should be used to determine criticality of the contract and the stringency to which bidders are tested.

Technical and Professional Ability

The skills, efficiency, experience and reliability of suppliers should also be taken into account when selecting bidders. The standard set of questions in this section of the SQ can be augmented to include criteria for human and technical resources and experience. These requirements must focus on the bidder itself and its past experience.

Key Points

1. The selection process is used to determine whether bidders are able to comply with exclusion grounds and demonstrate suitability to carry out the contract.
2. The Selection stage is an assessment of the suppliers themselves, as opposed to the Evaluation & Award stage which is an assessment of their bids.
3. The key principle of assessing the economic and financial standing of bidders is to safeguard the delivery of public services.
4. Observe the principles of public procurement: equal treatment, non-discrimination, proportionality and transparency.

Want to know more?

1. **Standard Selection Questionnaire (SQ) PPN 8/16**
2. **Supplier Registration Service for Government**
3. **The Public Contracts Regulations 2015, Regulation 57: Exclusion Grounds**
4. **The Public Contracts Regulations 2015, Regulation 58: Selection Criteria**
5. Assessing and monitoring the economic and financial standing of suppliers Guidance Note

10 Evaluating Bids and Contract Award

Encouraging the market to compete on price alone can create false economies and unhealthy markets and should be avoided.

Encouraging the market to compete on price alone can create false economies and unhealthy markets and should be avoided.

The purpose of the evaluation is to determine the most economically advantageous tender based on the published award criteria. It is not to identify the cheapest bid. Section 4.2.2 of the **Government Commercial Functional Standard** sets the expectation of commercial practitioners within departments.

Departments are expected to conduct robust evaluation processes that comply with the public procurement rules and best practice.

Evidence suggests that, although Complex Outsourcing projects can be inherently difficult to cost, on occasions there has been **a bias towards low cost bids** rather than the best value for money in terms of cost and quality.

Low Cost Bid Referrals

Where services are complex, there is a risk of low-cost bias, even if evaluation criteria are designed to balance quality and cost.

Departments are required to refer any abnormally low bid that is more than 10% lower than the average of all bids or the Should Cost Model to Continuous Commercial Improvement Team.

This is to be done in accordance with Regulation 69 of the Public Contracts Regulations 2015.

Cost vs Quality

It is government policy to award contracts on the basis of value for money. See **Annex 4.6 of HM Treasury's Managing Public Money** and the **Green Book**. **Value for money is defined as securing the best mix of quality and effectiveness for the least outlay over the period of use of the goods/services bought**. It is not about minimising up-front costs.

When considering 'outlay' the key factor is whole life cost, not lowest purchase price. Whole life cost takes into account the total cost over the life of a contract, including capital, maintenance, management, operating and disposal costs and can be very different from initial price. Paying more for higher quality may be justified if the whole life cost is advantageous. Departments should determine whether increased benefits justify higher costs.

Whilst cost will always be an important evaluation criterion, the expectation is that quality will be weighted higher than cost in a complex outsourcing, recognising the importance of delivering quality public services.

Evaluating Social Value

Taking account of social value in the award of contracts when it is done well will help to tackle regional inequality with new jobs and skills, including in clean growth sectors, and helping disadvantaged communities recover, promote economic growth and prosperity by supporting SMEs and start-ups to lead or be part of government supply chains, and support physical and mental health and ensure those in disadvantaged groups have equal opportunity to become part of a diverse, resilient workforce.

Social value outcomes should be applied consistently to make it easier to clearly and systematically understand and evaluate the social value in the award of a contract.

Key Points

1. Value for money is defined as securing the best mix of quality and effectiveness for the least outlay over the period of use.
2. Evaluate tenders based on price and quality, including social value impacts.
3. For complex outsourcing, any winning bids that are 10% lower than either the average cost of all the bids or the Should Cost Model are referred to central scrutiny.

Want to know more?

1. GovS008 Commercial Functional Standard
2. The Green Book: appraisal and evaluation in central government
3. The Public Contracts Regulations 2015, Regulation 67: Contract award criteria
4. Evaluating Bids Guidance Note

11 Resolution Planning and Ongoing Financial Monitoring

Although major insolvencies are infrequent we need to be prepared for the risk to continuity of critical public services posed by the insolvency of critical suppliers

Resolution planning

If a supplier becomes insolvent, services may be affected. Where these are critical public services, any interruption is likely to be unacceptable or create significant risk.

Resolution planning helps ensure continuity of critical public services and their orderly transfer to a new supplier or in-house in the event of supplier insolvency.

The best time to put this in place is when contracts become effective with regular updates thereafter.

All new critical service contracts require resolution planning information from suppliers. This requirement applies throughout the life of the contract. This will allow us to:

- understand better the potential impact of a supplier's failure and key risks to continued service provision; and
- work with suppliers (and/or insolvency practitioners) to develop mitigations to limit the risk to critical public services.

We should include supplier insolvency as a risk when reviewing suppliers' Business Continuity and Disaster Recovery (BCDR) and exit plans for critical service contracts.

Our own contingency plans for these contracts also need to be in place and subject to regular refresh. A template is referenced below.

Guidance on resolution planning is available in the supplementary Resolution Planning Guidance Note.

Public sector dependent suppliers

We also work jointly across government to manage risks to the delivery of public services posed by public sector dependent suppliers. The Cabinet Office Markets & Suppliers team should be consulted whenever departments are planning to terminate a service contract worth £5m pa or above with a public sector dependent supplier.

Standard clauses are available in the Model Services Contact (MSC) for inclusion in future service contracts. These require suppliers to confirm annually whether they are public sector dependent suppliers.

> “We require suppliers of critical service contracts to provide resolution planning information during the lives of the contracts”

Ongoing financial monitoring

Although the financial standing of suppliers is assessed during procurement, it can deteriorate subsequently either suddenly or over time. Early recognition of the risk of supplier financial failure gives us more time to prepare for that failure should it occur and mitigate the risk to continuity of critical public services.

We must therefore monitor the financial standing of our key suppliers on an ongoing basis.

Monitoring should normally be performed in the first instance by a function or team which is independent of the day-to-day contract management role. Its frequency should reflect the frequency of the supplier’s own financial reporting regime and the perceived risk of failure. Ongoing ‘alert’ systems should be established to monitor company announcements and other information sources.

The outcome of financial monitoring should be discussed with contract managers and, where appropriate, reassurance sought from the supplier. Where monitoring and follow-up suggest a raised level of concern, contract managers should ensure their contingency plans are up-to-date and consider what further action or monitoring is required.

Guidance on ongoing financial monitoring is available in Assessing and Monitoring the Economic and Financial Standing of Suppliers.

Compliance confirmation

In future, the financial thresholds we require suppliers to meet during the lifetime of new critical contracts will include some of the financial tests conducted on procurement. We will also require the boards of suppliers of new critical contracts to confirm annually that they continue to meet these thresholds.

Financial distress

Guidance on supplier financial distress is available in **Corporate financial distress**. The guidance sets out common signs of potential distress, how financial distress can lead to insolvency, the different forms of insolvency, the steps that you should take and the additional support available.

Consequences of supplier insolvency

A supplier's insolvency can adversely affect the profitability and cash characteristics of its contracts. An administrator or liquidator may choose not to continue with a contract that is or becomes loss-making or cash-negative or carries significant risk. In such circumstances, we will need to consider how best to maintain service continuity.

We may also experience re-procurement or other costs on switching suppliers and the cost of the new service may change.

Key Points

1. Resolution planning helps ensure continuity of critical public services and their orderly transfer to a new supplier or in-house in the event of supplier insolvency.
2. When reviewing suppliers' BCDR plans for critical contracts, include supplier insolvency as a risk. Make sure exit plans and exit information cover emergency exit arising from supplier insolvency.
3. Keep our own contingency plans for critical contracts up to date and make sure they cover the risk of supplier insolvency.
4. Ongoing financial monitoring enables early identification of possible problems and the opportunity to test contingency plans before they are needed.

Want to know more?

1. **Resolution planning Guidance Note**
2. **Contingency plan template**
3. **Contract Tiering tool**
4. **Model services contract**
5. **Assessing and monitoring the economic and financial standing of suppliers Guidance Note**
6. **Corporate financial distress Guidance Note**

12 Building and Maintaining Successful Relationships

We need to consider how we will work with suppliers and manage our contracts to achieve contractual outcomes.

Mobilisation

Immediately following contract award and prior to the contract start date, mobilisation is a key phase in setting up an outsourcing project for success.

Adequate time should be set aside for mobilisation activities in the planning of a procurement to make sure that the right contract management processes and relationship can be developed prior to contract going live.

Departments should consider how performance and a service may benefit from a phased introduction rather than a day one step change. If a phased introduction is required, this should be made clear in the procurement documents.

Effective contract management

All outsourced services should be built on a robust contractual relationship overseen by an appropriately qualified contract manager with a clear operational understanding of the contract.

How a contract will be managed is a key strategic decision which needs adequate consideration early in the procurement process and must be reflected in the contractual agreement. Good contract management will involve a wide range of activities including:

- Understanding the practicalities of how the service is delivered
- Oversight, approvals and/or governance across the contract lifecycle
- Specification, preparing the business case and policy development
- Day-to-day management including robust administration
- Conducting risk assessments
- Effectively managing disputes and resolutions using appropriate contractual and non-contractual levers
- Reviewing and managing performance
- Strategic relationship and/or supply chain management

Government's most important contracts should be managed by an expert or practitioner accredited contract manager as set out in Contract Management Professional Standards framework.

Working together

As outlined in the Supplier Code of Conduct, acting together with suppliers drives mutual understanding, improves service delivery and helps to solve problems more effectively.

The nature of the relationship between a department and supplier should be tailored to the individual service and can vary depending on the specification, outcomes, and complexity of the service being delivered. It is important to engage early with the market to understand what type of relationship, from transactional to partnership model, may be most appropriate for your service.

A good approach is to consider the following questions:

- What type of relationship have you had previously with suppliers for similar services? Did it drive the intended outcomes?
- Have you engaged with the market and senior internal stakeholders to understand what type of relationship may be most appropriate for your service?
- Does your evaluation strategy align with the intended supplier relationship?
- Do your contract terms, including risk allocation, liabilities, payment and incentive structure align with the relationship you want to achieve? Is there flexibility within the contract to enable the type of relationship to change if required?

For complex projects, experience has demonstrated that a partnership model with the principles of collaboration, openness, transparency, and flexibility based on contractual delivery, can be beneficial in driving successful outcomes.

Critical success factors of a partnership model include a focus on service delivery by both partners, clear roles and responsibilities, a shared understanding of how to effectively resolve disputes and a collaborative culture. This could include:

- The co-location of employees
- Developing joint-partnership principles and adopting a one-team 'win-together, fail-together' approach
- Having a service delivery manager working alongside the contract manager

Strategic Supplier Relationship Management

Where a department has several important contracts with a single supplier, they should adopt a strategic supplier relationship management approach. This can be defined as the practices and behaviours adopted to engage more collaboratively with strategic suppliers to improve delivery of government objectives and increase mutual value beyond that originally contracted.

In addition to a department's own management of its suppliers, the Markets and Suppliers team in the Cabinet Office is responsible for maintaining the Government's Strategic Suppliers, spanning a number of departments, to improve supplier relationships and create value.

If you have contracts with government Strategic Suppliers, you should engage with the Markets and Suppliers team regularly to ensure that you are aligned with government's overall objectives.

Key Points

1. Effective contract management is essential to drive value for money and deliver successful contractual outcomes.
2. Government's most important contracts should be managed by an expert or practitioner accredited contract manager as set out in Contract Management Professional Standards framework.
3. Engage with the market and senior stakeholders to consider what type of relationship is most appropriate for your service and use this to inform your choice of procurement procedure and contractual model.
4. A strategic supplier relationship management approach can improve the delivery of government objectives and increase mutual value beyond that originally contracted.

Want to know more?

1. **Contract Management Standards**
2. Access to the Foundation level Contract Management Training & Accreditation is available for central government departments at **https://www.mycmlearning.co.uk/authentication/registration**
3. Information on **Crown Representatives** and the Government's Strategic Suppliers programme can be found on GOV.UK and accessed by emailing **marketsandsuppliers@cabinetoffice.gov.uk**


SECURITY

13 Expiry, Extension, Transition and Termination

Early planning puts us in a position to conduct orderly transitions to new contract arrangements, whether extending, re-tendering or bringing delivery back in-house.

Early planning for contract end

The start of the Playbook set the expectation that all outsourcing projects should assess the market during the preparation and planning phase. This guiding principle equally applies when we are approaching the end of an existing contract. The market may have changed sufficiently to alter the basis of previous decisions and the market health and capability assessment should therefore be updated.

We should also have thought about how to ensure, under any circumstances, a smooth transition to new arrangements. The contract should have been written to include clear expectations for exit and transition arrangements, including obligations on the supplier to warrant data and information back to the department at the end of the contract.

In practice, contracts should include a requirement to develop an exit plan which joins together the exit strategy of the outgoing supplier with the mobilisation of the incoming supplier (or in-house provision).

Preparing for exit takes time and needs to be allocated sufficient time. The exit plan may be separate or included in the contract management plan, and should include:

- Clear outline of activities, milestones, and required resources
- Roles, responsibilities, and accountabilities for each activity
- Joint risk register
- Defined timelines, criteria and standards that each activity is required to meet
- Relationship and behavioural expectations
- Key interfaces and dependencies
- Asset registers and transfers

And where a contract runs its full course, there should be sufficient means within the contract to incentivise the incumbent supplier to both maintain resources and performance up to the end of the contract.

It is also important to remember, and plan for, the additional burden on operational and commercial staff of simultaneously managing an existing contract, tendering a replacement contract, on-boarding a new supplier and off-boarding an incumbent.

Extensions

Some contracts contain an option to extend. Whether to take up this option or not should be considered well in advance of when notice needs to be served. Effective management of our commercial pipelines helps to ensure we are prepared for this decision. See also section 4.3.5 of the Government Commercial Functional Standard.

Where we have failed to plan early enough in the past, we have been left in the very weak position of having inadequate time to carry out a re-procurement.

We must plan early and set out our requirements for any extension to the contract. Some contracts provide for an extension to be on the same terms and conditions whilst others rely on a review clause which, if it is to be relied upon, must set out a clear, precise and unequivocal review process. If we decide not to extend the contract, this decision must be taken far enough in advance to allow for a re-procurement.

Key Points

1. Plan early for what happens at the end of a contract.
2. There should be sufficient means within the contract to incentivise the incumbent supplier to both maintain resources and performance up to the end of the contract.
3. Suppliers are expected to warrant data and information back to departments at the end of a contract.
4. Be prepared for the additional burden on operational and commercial staff of simultaneously managing an existing contract, tendering a replacement contract, on-boarding a new provider and off-boarding an incumbent.
5. Allow sufficient time to decide whether or not to extend a contract (where contract provisions allow).
6. Review benefits realisation on an annual basis.

Want to know more?

1. **GovS008 Commercial Functional Standard**
2. Approvals process Guidance Note
3. Market Management Guidance Note
4. Delivery Model Assessment Guidance Note
5. Benefits Measurement Guidance Note