

<b>DECISION-MAKER:</b>	<b>CABINET</b>		
<b>SUBJECT:</b>	<b>SCC FIRST POLICY</b>		
<b>DATE OF DECISION:</b>	<b>16 JANUARY 2018</b>		
<b>REPORT OF:</b>	<b>CABINET MEMBER FOR SUSTAINABLE LIVING</b>		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>	
N/A	
<b>BRIEF SUMMARY</b>	
The Southampton City Council (SCC) First policy has been developed to provide a framework for considering and appointing in-house services to deliver Council requirements before commencing a procurement process.	
<b>RECOMMENDATIONS:</b>	
	(i) That Cabinet approves the SCC First policy attached as Appendix 1.
	(ii) Subject to (i), that Cabinet delegates authority to the Service Director – Digital and Business Operations (following consultation with the Cabinet Member for Sustainable Living and the Cabinet Member for Finance) the power to scope and deliver a pilot of the SCC First policy (using established in-house services).
	(iii) Subject to (i) and (ii), that Cabinet delegates authority to the Service Director – Digital and Business Operations (following consultation with the Cabinet Member for Sustainable Living and the Cabinet Member for Finance) to amend the SCC First Policy (if required to address outcomes of the pilot) and to undertake a full roll out of the SCC First policy.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	The implementation of SCC First will demonstrate a firm Council-wide commitment to utilise in-house services to meet Council requirements where such capability exists and where best value can be demonstrated in accordance with the policy.
2.	The pilot period will provide the opportunity to develop and test the most appropriate benchmarking process, identify options for improvement to the SCC First policy and processes, assess challenges and measure impacts, benefits and costs whilst allowing immediate benefits to be realised.

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

3.	<p>The following models were considered and rejected as part of establishing the preferred SCC First model:</p> <p>Comparing in-house service offering with the market offering on a case-by-case basis: this model involves treating the in-house service as a normal bidder as part of the procurement processes set out in the Contract Procedure Rules (CPRs). Once a need is identified, the process to identify a supplier is managed by the Procurement Service and the in-house service must demonstrate that it is the Most Economically Advantageous Tender (MEAT) when compared with external bidders in order to be awarded the work.</p>
4.	<p>Directly awarding to in-house services up to an agreed value and benchmarking against the market place in excess of this value: this model assumes that the in-house service provides the Council best value for requirements up to a certain value threshold. Above the value threshold, the in-house team would provide a quote and this would be compared with the price obtained from an external Quantity Surveyor (QS) or other specialist, depending on the type of works or services concerned. If the in-house price is within a specified and agreed parameter then the work or service would be awarded in-house. If the in-house price is outside these parameters then the market would be asked to quote in accordance with the Council' Constitution Part 4 - Contract Procedure Rules (CPRs) and compared with the price provided by the in-house team.</p>
5.	<p>Both the models outlined in points 3 and 4 were rejected because the proposed model is deemed to incorporate the benefits of each by making best use of Council resources where best value can be demonstrated and encouraging the Council to become more commercially-focused in preparation for alternative service delivery models, in the first instance the proposed LATCo.</p>

**DETAIL (Including consultation carried out)**

	<b>Scope and purpose</b>
6.	<p>SCC First is a commitment by the Council to increase the level of services provided by its in-house teams, where such capability exists and where 'SCC best value' can be demonstrated when considering both financial and non-financial benefits to the Council, our customers and the city of Southampton. 'In-house services' may include the Council's strategic partners where the services in question are within scope of existing contracts and subject to relevant legislation.</p>
7.	<p>The key objectives of the SCC First policy are to enable the Council to reduce costs by providing in-house services at a market-competitive price whilst making best use of Council resources. It will also assist the Council in becoming more commercially-focused and driven in preparation for its Local Authority Trading Company ('LATCo') through more effective, efficient and economic management and operation of the in-house services as well as upskilling in-house teams to bid and secure work outside of the core Council services.</p>
8.	<p>Currently, in-house services can miss out on opportunities or are informed of them too late to enable them to properly plan, mobilise, respond and deliver. In addition, it is not always possible to demonstrate or be assured of best value.</p>
9.	<p>The SCC First model set out in the policy in Appendix 1 considers whether the</p>

	in-house service can reasonably meet the need prior to commencing a procurement process.
10.	On an annual basis, the cost of all identified in-house services are compared with the cost of obtaining those services from external suppliers via a benchmarking exercise which will produce average market prices for each in-house service. The “SCC Best Value Parameters” are then applied to the average market prices.
11.	The SCC Best Value Parameters (which will vary from service to service) are set annually to reflect changes to Council overheads and services and are used to reflect the financial and non-financial value of meeting Council needs using in-house services (including, but not limited to, quality and flexibility of cross Council service offerings and avoiding procurement-related costs). When applied in accordance with the SCC First Policy, the SCC Best Value Parameters may permit the in-house service cost to be higher in price alone than the average market cost, yet still demonstrate SCC Best Value.
12.	An in-house service will demonstrate SCC Best Value if their costs for services quoted meets or is less than the average market cost of the service, <b>plus</b> the SCC Best Value Parameters.
13.	An in-house service will not demonstrate SCC Best Value if their costs for services exceeds the average market cost of the service, <b>plus</b> the SCC Best Value Parameters.
14.	Any service which can be delivered in-house, within the required timescale and can demonstrate SCC Best Value will be offered to in-house services to deliver in the first instance.
	<b>Key benefits</b>
15.	<p>The key benefits are:</p> <ul style="list-style-type: none"> <li>• Keeps the assessment of the in-house offering separate to the procurement process which means that external suppliers are only being approached when the in-house option cannot demonstrate SCC Best Value (i.e. there is genuine opportunity to win work through a competitive process).</li> <li>• Full visibility of Council requirements and spending (both cross-Council and internal) held and managed centrally by the Procurement Service.</li> <li>• There is no automatic obligation to use in-house resource if the in-house service cannot meet reasonably assessed timescales, or other reasonable client requirements.</li> <li>• It will provide the in-house services with time to ‘ramp up’ to potentially increasing workloads and provide Council clients with confidence that they can obtain their requirements from external contractors if SCC Best Value is not demonstrated by the in-house service.</li> </ul>
16.	Initial engagement with Trade Unions has been undertaken as part of identifying the SCC First model in Appendix 1. Cabinet are requested to note that Trade Unions have indicated that their preferred model for the SCC First policy is that set out in point 4. The Unions have been offered an active role in scoping the pilot (and full roll out of the SCC First policy) to ensure that wherever possible, internal services which can SCC Best Value and with the capacity and capability are offered the opportunity to deliver Council requirements.
17.	A project team incorporating representatives from potential service area

	clients and in-house services, Unions and the Procurement Service is being set up to define, implement and monitor the pilot.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
18.	There are a number of financial advantages of applying the SCC First policy, including utilising internal services to deliver projects and works, thereby potentially increasing income and reducing third party spend. Any associated savings can be used towards other Council savings targets set for commercial initiatives such as LATCo.
19.	The impact of SCC First upon the guarantees contained within the SSP contract will need to be considered, and any financial implications will need to be addressed without causing pressure on the revenue budget
20.	The financial implications of SCC First cannot at this stage be determined however as the pilot progresses, such implications will be considered and reviewed prior to a full roll out of the SCC First policy
<b><u>Property/Other</u></b>	
21.	There are no specific implications, but requirements relating to our properties will be subject to the SCC First policy unless the terms of leases or other contracts with third party occupiers require otherwise.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
22.	The adoption of the SCC First policy is permitted under s.111 Local Government Act 1972 and s.1 Localism Act 2011. All services delivered by the Council are authorised by a variety of statutory powers which must be complied with in relation to the specific services under consideration together with any pervasive legislation that applies to all services such as the Procurement Regulations set out below and the Equalities Act 2010 that requires functions to be delivered having regard to the need to assess the impact on and to eliminate discrimination across protected characteristics (such as age and disability etc).
<b><u>Other Legal Implications:</u></b>	
23.	The Public Contract Regulations 2015 (which apply to public sector procurement activity and with which the CPRs comply) do not apply to in-house delivery therefore there are no legal implications of setting this policy.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
24.	Strategic risks are managed through an existing framework of the Corporate Risk Register, the Contract Procedure Rules and the Financial Procedure Rules and Public Procurement Law. As part of the development of the SCC First policy the commercial and operational risks associated with in-house deliver of Council requirements have been considered. Appendix 2 contains the High Level Risk Register which sets out initially identified risks and methods of managing them. This document will be further developed as part of the pilot and full implementation phase.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
25.	This policy aligns with and compliments the defined Policy Framework.

<b>KEY DECISION?</b>	No	
<b>WARDS/COMMUNITIES AFFECTED:</b>	All	
<u>SUPPORTING DOCUMENTATION</u>		
<b>Appendices</b>		
1.	SCC First policy	
2.	High Level Risk Register	
<b>Documents In Members' Rooms</b>		
1.	Equality and Safety Impact Assessment (ESIA)	
<b>Equality Impact Assessment</b>		
<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>		Yes
<b>Privacy Impact Assessment</b>		
<b>Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.</b>		No
<b>Other Background Documents</b>		
<b>Other Background documents available for inspection at:</b>		
<b>Title of Background Paper(s)</b>		