DELIVERY MODEL ASSESSMENTS

GUIDANCE NOTE

MAY 2021

Contents

1. Context

1.1 Overview

1.1.1   This note builds on chapter 3 in the Sourcing Playbook to provide more detailed guidance for departments on carrying out a delivery model assessment in order to decide whether to deliver a service, or part of a service, in-house, procure from the market or adopt a hybrid solution.

1.1.2   It is aimed at supporting departments in creating and running an analytical, evidence-based approach and outlines the factors departments should consider as part of a delivery model assessment, as well as highlighting some of the common challenges faced by the Government in outsourcing or insourcing a service.

1.2 Contact

1.2.1   For complex projects you should consult the Cabinet Office before beginning the delivery model assessment. The Sourcing Programme (Sourcing.programme@cabinetoffice.gov.uk) provides support to complex outsourcing projects in collaboration with the Complex Transactions team (complextransactions@cabinetoffice.gov.uk) who have developed a detailed methodology and provide independent facilitation for delivery model assessments.

2. What is a delivery model assessment?

2.1 Approach

2.1.1   The delivery model assessment (previously referred to as a 'Make or Buy decision') is an analytical, evidenced based approach to assist reaching 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.

2.1.2   In the public sector, delivery model decisions often need to consider a wide variety of potential supply options other than just the use of departmental resources (in-house) or the third party supply market. The use of the wider public sector (such as Arms' Length Bodies and Local Authorities), regulatory bodies or the use of the third sector, as well as the potential to establish joint ventures or GovCos may all be viable alternatives.

2.1.3   It is a strategic decision that should be given consideration with an appropriate level of analysis and attention applied. If there is insufficient oversight and assurance placed on this fundamental analysis, particularly where a project is progressed at speed, this will create significant operational, commercial and reputational risks.

2.1.4   However, a delivery model assessment **is not**:
- A substitute for a "Target Operating Model" – the delivery model may help inform the final operating model but will not design the future state of operations
- A budgeting mechanism – in the delivery model assessment process, a Should Cost Model will support decision-making but is unlikely to be sufficiently detailed to build a comprehensive future budget
- A sourcing model assessment or supply strategy – within the delivery model assessment you may consider the future approach to the external market but you will not develop a full specification of service requirements that might be needed for a tender or supply contract
- A supplier evaluation – the objective is to assess the mechanism for approaching markets, rather than evaluating the capability of individual suppliers

2.1.5   The delivery model assessment can help you identify and mitigate the different challenges that come from outsourcing or insourcing a service, or one of its components. Services carry different risks and your evaluation should be designed to consider the particular challenges of insourcing (e.g. building the right capability) and outsourcing (e.g. transferring risks appropriately).

2.1.6   The structured, evidence-based approach, set out in Figure 1, provides a framework to assess these factors, consistent with the options appraisal approach prescribed in the Green Book.

2.1.7   The delivery model assessment should be proportional to the criticality, complexity and size of the project.

2.2 Timing

2.2.1   The length of time required for a delivery model assessment will depend on the complexity of the service, the availability of data to support decisions and the availability of resources to conduct the assessment. As an indication, it can take 3-6 months for an initial delivery model assessment of mid-level complexity. Some suggested prerequisites for conducting an efficient delivery model assessment are included in Appendix II.

2.2.2   The initial assessment is ideally conducted during the Strategic Outline Case and iterated throughout the business lifecycle (new data inputs are reviewed and assumptions are reviewed at each stage). This reinforces the importance of getting started early.

2.3 Structure of a delivery model assessment

2.3.1   Figure 1 sets out the eight steps of a delivery model assessment, their purpose and what they entail.

2.3.2   The delivery model assessment process is, however, designed to be flexible and to accommodate a wide variety of services and needs. Whilst all projects will need to go through all eight steps, the time and depth required for each step of the process may differ according to the needs of each project.

2.3.3   In addition, elements of steps 2 to 4 are likely to be conducted in parallel with each other – for example, it is often impossible to understand the data needs without understanding the evaluation criteria and as options evolve, the Should Cost Model may need to be adapted.

Figure 1: Delivery Model Assessment Approach and Steps

1 Frame the Challenge

Clarify the programme objectives, timescales and drivers of change. Identify stakeholders and set up working teams and governance approach.

2 Define the Service, Delivery Model Options and Data Inputs

Identify the service components and the options for how they might be delivered, including how service components might be combined or disaggregated to best deliver the desired outcomes.

3 Establish strategic and operational evaluation criteria

There are many potential issues to consider in the selection of a delivery model. Evaluation criteria will be specific to each programme but the following areas give some examples of the potential key issues that might determine the most appropriate strategic approach for delivery and the relationships you will need to develop with the supply chain.

Strategy and Policy

Consider how well the delivery model aligns with departmental and government strategies and policies. How will it ensure delivery of strategic objectives, such as SME engagement, equalities or social value?

Transition and mobilisation

Consider how easy it will be to transfer existing services into the new model. If this is a new services, what challenges will you face setting up and mobilizing the service? Consider issues such as recruitment (or TUPE implications), timescales and systems developments.

Service delivery

Consider how the delivery model will guarantee ongoing service quality, innovation and continuous improvement. What management structures will be required, whether insourced or outsourced? How will you manage SLAs and KPIs?

People and assets

Consider the capabilities and skillsets needed and existing capacity (internal or in the external market). What flexibility will you need (e.g. if volumes change) and how well can the delivery option meet these needs? What will the training and recruitment impact be? What other investments may be required and who will own any assets (including intellectual property)?

Risk and impact profile

Identify the commercial and operational risks that may impact the delivery of services.

Who is best placed to manage these risks and how might they be mitigated by the delivery option?

4 Assess the whole life cost of the project

Use your strategic approach and service definition to identify the cost drivers for the transition and mobilisation phase and a period of running.
All projects should develop an appropriate Should Cost Model.

5 6 Conduct the evaluation and align the analysis

The cross-functional team should assess each of the evaluation criteria against the agreed weightings.

Learn from objective evidence, past projects and colleagues across the public and private sector (this may include engaging with the market) to test and sense-check your findings.
Consider a Red Team review to validate your findings.

7 Recommendations and approvals

Develop and document your recommendations and ensure approval via the project board

8 Piloting and implementation

Build your commercial strategy and identify any requirements to pilot the outcome of your assessment (see Guidance Note)

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3. Why run a delivery model assessment?

3.1 Selecting the right delivery model

3.2   The selection of an appropriate service delivery model at the outset of a project has a significant impact on the Government's ability to achieve good service levels and value for money. An evidence-based structured methodology is essential to assess which service delivery model offers best value for money, consistent with the options appraisal approach prescribed in the Green Book.

   3.2.1   Outsourcing, done well, can:
   • Give management space to focus on core departmental priorities and free up resources that can be deployed more effectively
   • Leverage greater scale and efficiencies from the market, where suppliers within that market are operating at scale
   • Bring dynamism from a diverse marketplace of suppliers
   • Draw on innovative new approaches and expertise which may not be available in the public sector
   • With appropriate contractual flexibility, adapt to changing circumstances.

   3.2.2   In-house delivery, done well, can:
   • Give greater flexibility to react to changing circumstances (business, economic or political) without being restricted by contract terms or procurement law
   • Provide greater control over processes and how a service is delivered
   • Take advantage of internal synergies

   • Ensure alignment to the department's core purpose

   3.2.3   The challenge is to determine when a service, or a part of a service, is best delivered in-house, outsourced, by a combination of in-house and outsourced delivery (which may include the use of Arm's Length Bodies), or by using alternative commercial vehicles such as Government Limited Companies (GovCos) or Joint Ventures (JVs)

A thoughtful and informed delivery model assessment will reduce downstream risks.

Emphasis Text: This can help ensure services are delivered on time and on budget, and will optimise negotiations during the procurement phase or during the contract period (both of which can carry legal as well as commercial risk), early contract terminations and/or even (temporary) department step-in.

4. When is a delivery model assessment required?

4.1 Completing a delivery model assessment

4.1.1   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. Where a significant new development to an existing service (such as a new technology requirement) has been identified.
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.

4.1.2   It is good practice to revisit the delivery model assessment periodically over the life of a service, in line with the speed of change in the market; as market experience matures and technology changes this may alter the cost-benefit equation.

4.1.3   In large, multi-service outsource projects it is likely that the design of the delivery model will be a fluid and iterative process, as the department builds confidence through discussions with the private sector. In some cases, it may only be fully finalised part-way through the procurement process (although basic principles and requirements would need to be set out in the procurement documents from the outset).

5. Before you start the delivery model assessment

Step 1 – "Frame the Challenge"

5.1 Putting in place the right people

5.1.1   Consider whether you have appropriately qualified individuals to run a delivery model assessment in-house. Complex and higher-value projects require proportionally greater expertise and will benefit from independent facilitation and external support. For all potentially complex outsourcing projects, contact the Sourcing Programme before starting the assessment.

5.1.2   For all delivery model assessments:
• Appoint a dedicated core team of suitably skilled individuals that will input into the delivery model assessment process. This may include finance, commercial, programme and operations, technical experts and central government teams (e.g. the Infrastructure and Projects Authority) as required for the specific project.

• Consider independent facilitation (e.g. the Complex Transactions Team in Cabinet Office). Assessments can evoke strongly held views and independent facilitation along with a structured methodology, will help ensure an objective assessment which all key stakeholders can buy into.

• Consider how the Should Cost Model will need to be developed and ensure that resources are available to build this.

• Develop a clear understanding of the overall delivery model assessment process as set out in figure 1. This guidance outlines key considerations and requirements, further training and support is available through the Sourcing Programme.

5.1.3   When determining the best route to delivering future services, having sufficiently experienced individuals from a range of appropriate functions can provide greater insight into the key elements to consider in any delivery model decision.

5.2   Governance and Working Groups

5.2.1   The core team should identify and engage with key stakeholders including end users to clarify the challenge and motivation for change, where practical. This will enable the core team to better understand the environment, constraints, requirements, risks and opportunities related to the delivery of that service.

5.2.2   The core team should also ensure that governance and decision-making processes are clear and determined from the outset.

Early engagement with key stakeholders, potentially including the market, helps to provide a clear view of what needs to be delivered and the challenges ahead.

This will inform both the process to specify the service and help to articulate how changing the delivery model or investing in new technology and innovation could benefit the end user

6. Running the delivery model assessment

Step 2 - Define the service and delivery options

6.1 Defining the service

6.1.1   It is essential to develop a clear service definition before starting the delivery model assessment. A service definition is a forerunner to a detailed technical or outcome specification which should be produced prior to going out to tender later in the procurement lifecycle. The service definition needs to provide sufficient information about the service to be able to work out the whole life cost of your service and be able to compare different delivery models across your strategic and operational evaluation criteria.

6.1.2   When defining the service, you will need to consider the main operational components of the service and to understand which of these components might need to be combined and delivered by the same organisation. For example, a service might include both policy design, process design and customer contact elements - policy and process design might need to be combined but customer services could be delivered by a different delivery model.

6.1.3   You should also consider whether there are service components that are effectively out of scope for the assessment as they must always be delivered in-house (e.g. policy creation) or for which external services will always be required (e.g. the supply of technical equipment).

6.1.4   The development of the service definition should be informed through ongoing market engagement from the earliest stages. Depending on the service, the service definition may go through several iterations before being finalised. Experience shows us the benefit of very early engagement with the market to gain insight into alternative ways of working or innovative solutions which we may be unfamiliar with.

6.1.5   For services where it is unclear how to achieve the outcome or where you want to test the market's appetite for innovation, you may start from a 'problem-statement' approach (presenting the market with a problem and suppliers are free to propose how it should be solved). Whilst a problem-statement approach can drive innovation, it should be the first step in developing a more detailed service definition through market engagement. Market consultations should be transparent and non-discriminatory. The service definition needs to be informed by a clear understanding of the outputs you want the service to deliver and the outcomes you want to achieve.

6.1.6   Creating a service definition ensures that you can identify service red lines and minimum service quality requirements, which can be iteratively developed and built on. See Appendix I for guidance to follow in creating a service definition.

6.1.7   A service definition will enable a robust delivery model assessment where individual components, or groups of components, can be assessed on a case-by case basis to reach a recommendation on the overall delivery model.

6.2 Deciding potential delivery models to evaluate

6.2.1   It is important to decide on a number of potential delivery models to compare through the delivery model assessment. These may be identified by:
- Learning from elsewhere, including where similar services are delivered in other parts of the department or across government and in the private and third sectors
- Engaging with key stakeholders in commercial, operations, technology and other functions

6.2.2   Once a long list of options has been developed, potential delivery models should be short-listed based on critical success factors, practical limitations and discussions with senior stakeholders. The final list of potential delivery models should be signed off by the Programme Board or SRO before evaluation begins.

Step 3 - Identifying the Strategic and Operational Evaluation Criteria

6.3 Setting and Weighting Evaluation criteria

6.3.1   Each potential delivery model should be measured against a set of strategic and operational criteria tailored for the individual service. Suggested criteria are set out in Table 1. The framing of each of these criteria will be dependent on whether the service, or service component, is new, currently outsourced or currently insourced.

6.3.2   Individual criteria should be given weightings reflecting the importance of that criterion to the department and the nature of the specific service. For example, the criteria for a highly-commoditized service with a proven market such as a facilities management service may place a higher weighting on people and assets than market and suppliers.

6.3.3   As part of setting and weighting the strategic and operational criteria you should consider the specific outsourcing and insourcing challenges. The criteria should be signed off by the sponsor and project board before the evaluation of the delivery options begins.

6.3.4   Each delivery model will differ in the specific criteria being assessed and their relative weightings but some example criteria are included in Appendix III.

6.3.5   In setting evaluation criteria, it is important to bear in mind that:
- You are assessing the relative benefits of potential **delivery models** and not individual suppliers – criteria may therefore be very different from those used to assess tenders
- You may need to assess multiple delivery models against each criterion – too many criteria will make the process extremely laborious

6.3.6   The factors in Table 2 should also be taken into account when setting, weighting and evaluating the strategic and operational criteria for the delivery model assessment.

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6.3.7   It is often worthwhile to conduct sensitivity checks on the weightings to ensure that there will be sufficient differentiation between assessments

6.3.8   Changing a delivery model is a significant service transformation which should not be underestimated; sections 7 and 8 set out a number of further considerations when considering outsourcing or insourcing a service.

Table 1: Strategic and operational criteria

Strategy: consider whether the service delivery model aligns with your medium and long term organisation and service strategy.

- Consider both long term and short-term perspectives. Once service delivery has been contracted with the private sector it can be difficult and costly to revert back to public sector provision if required, be it on contract expiration, early termination or Contacting Authority step in.

- Consider who is best placed to drive innovation or advancements for the service. For services currently outsourced, consider how internal delivery can match or exceed existing innovation.

- As well as individual organisation priorities consider the wider government agenda, where you are assessing in-house models against outsourcing consider the entirety of requirements placed on external suppliers. For example, the requirement to include Social Value and how an internal model would deliver against these priorities.

People and assets: consider where capability and resources are best placed to deliver the service.

- A clear understanding of any TUPE considerations or asset transfer considerations is essential. Ensure you have sought legal and commercial advice on any issues, and considered potential pension liabilities.

- Where services are new, or you are considering outsourcing an existing service, the department should consider the risks presented by potential of not having or losing internal capabilities and infrastructure. As the risk increases, the risks associated with outsourcing increase.

- Where services are currently outsourced, carefully consider whether you are able to obtain the necessary capabilities and assets, and the impact the service may have on wider organisational capability and capacity.

Delivery: consider who is best placed to deliver the service definition and maintain continuity of service.

- Consider organisational readiness to deliver the service definition including delivery experience, change flexibility and resource availability. \

- As well as the service definition, consider the continuity and transition (including exit planning for existing contracts) of the service to the new delivery model. Successful transition requires due diligence and appropriate time to be allocated. Where services are currently outsourced, consider whether you need an alternative commercial delivery vehicle as an interim solution to bringing a service fully in-house over a period of time.

Market & Suppliers: consider whether there is a viable market for delivering the service (or one can be created).

- Ensure you are content there is a viable market with healthy competition or that one can be created. You need to understand how that market is able to meet your requirement and understand the cost and quality drivers.

- Conduct a comprehensive market analysis. This should include an analysis of the strengths and weaknesses of the market and public sector in providing the total service and/or the individual components of the service. Benchmarking of both costs and processes should be undertaken to establish what 'good' looks like. The department should have a full understanding of the true capabilities, aptitude, assets, intellectual capability, strategic interest and maturity of the market to deliver the service, and the suppliers within it.

- Due consideration is also needed of how the department may influence the market, adopting certain commercial strategies can have the effect of diversifying and strengthening, or weakening and centralising markets.

Risk: consider how you can best minimise overall risk.

- You should aim to minimise risk. You should understand the risks, how they may be managed (either internally or by the supplier) and which risks can be reasonably allocated to the supplier (See guidance note on risk allocation).

- Consider the overall balance of risk. The operational and commercial complexity, and therefore the risk profile, is significantly lower when outsourcing a commoditised service. The risk profile identified should drive the approach to options evaluation, with due consideration given to all relevant factors such as whether a proof of concept is required and what an appropriate pricing mechanism might look like.

- Reputational risk can never be outsourced and appropriate management and mitigation needs due consideration. When insourcing a service, the risk profile becomes the full responsibility of the department and it is important to identify any potential consequences that this may have.

Table 2: Service characteristics for outsourcing and in-house services

Service and Market Characteristics	Potential issues to consider
Nature of the service	● Generic services that are common to both public and private sectors will be more straightforward to outsource. Where services are unique to the public sector the market may be more limited, especially for "first generation" outsourcing ● Consider potential conflicts of interest, e.g. whether creating a profit motive by commercialising public services is more likely to undermine quality or drive innovation
Clarity of service definition	● External service providers will find it challenging to submit bids, or will include a "risk premium" if services cannot be well-defined and specified, with clear target outcomes or if requirements are highly changeable and may be subject to frequent policy reviews ● Where services have outcome-based specifications and task-level services are not well-understood, this may present challenges when insourcing
Degree of service commoditisation	● Highly commoditised and readily available services with a diverse, competitive market can usually be easily outsourced ● If services will require a degree of "market-making" this will be a more challenging environment for external suppliers
Ease of service disaggregation	● Consider how easily services can be disaggregated and potentially delivered through separate models, e.g. technology platforms and customer service provision might not necessarily be best served by a single model
Intellectual property and data ownership	● Who will need to develop and own any intellectual property or data? ● Are there any confidentiality, data protection or security risks that may arise?
Requirement for service transformation	● Consider potential service providers' proven expertise in innovation or service transformation ● How will they be incentivised to drive continuous improvement? Will this be through contractual or management intervention? How costly is this likely to be?
Maturity of technology solutions	● It may be difficult to exploit rapid developments in technology or to recruit staff in-house ● To what extent will external providers have the capability to manage and develop legacy systems?
Transition / change management capability	● To what extent do different delivery models have the experience and capacity to support transition?
Availability of specialist resources / subject matter expertise	● Where will subject matter expertise be sourced from? Does this exist within the department, will it need to be sourced from the external market and, if so, will it necessarily need to come from the primary service provider?

6.4 Identify key data inputs

6.4.1   Identifying and gathering the key data inputs is a critical success factor in running a delivery model assessment. Data is needed to input into the specification design and evaluation. Experience tells us that this can be challenging to do well and it is important to consider the key data inputs early in the process. Information needs will need to reviewed and validated during Step 4 – Establish the Strategic and Operational Evaluation Criteria

6.4.2   Key data inputs should be supported by a thorough external market health assessment. The availability and quality of data available will also have a significant impact on both the design and the robustness of the 'Should Cost Model'.

6.5 Gathering Data and Supporting Evidence

6.5.1   Objective evaluation of the delivery model options is critical to a successful assessment. It is therefore important to be able to support an evaluation with information from reliable and, where possible, independent sources.

6.5.2   If no such sources exist (e.g. for novel services or first generation outsourcing there may be no independent market analysis available) you should endeavour to identify information that is as objective as possible, for example by conducting a range of structured interviews with potential suppliers, customers of the services or market analysts.

6.5.3   Examples of possible data sources are included in Appendix III.

6.6 When considering outsourcing a service

6.6.1 Key considerations

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

6.6.1.2   There are major outsourcing programmes of complex services that have experienced issues in relation to higher than planned costs, worse than expected services, government bearing risks it sought to transfer and both parties incurring higher than expected costs and reputational damage.

6.6.1.3   For some services, including Facilities Management, IT and Digital services, there are well established markets with case studies and evidenced credentials to support the decision making process, which can lower the risk of outsourcing services.

6.7 When considering insourcing a service

Key considerations

6.7.1   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.

6.7.2   This represents a substantial transformation in service delivery model, and is a process which should have additional care and consideration applied before being undertaken. There are a number of specific considerations before insourcing a service which should be analysed as part of the strategic and operational criteria in the delivery model assessment. These include:

● **Ability to acquire or build and maintain the required expertise and assets**: Bringing a service in-house may require significant investment in building internal capabilities and assets. Attracting and retaining specialist expertise may be a challenge within the considerations of public sector pay. Some expertise may also be unique to the private sector. Consider market investment and the comparative potential investment in the public sector including assets, infrastructure and systems. *Appropriate market testing should be completed to understand whether the specialist expertise and/or assets are available.*

● **Impact of TUPE regulations and pensions:** Experience tells us that suppliers leverage economies of scale to deliver services. Some of this benefit could be reduced if employees who previously worked across a number of contracted services transferred to the department under regulations e.g. a supplier may have an individual working across three services and when transferred they are attached to a single service. For the department, this could result in significant pension liabilities and other non-financial employee rewards e.g. private healthcare. You should consult legal.

● **Organisational governance, processes, and capability including senior management and backroom functions**: Senior management may be unfamiliar with services which have previously been outsourced and require additional capacity time to manage insourced services. Departments should consider bringing in additional expertise or training if necessary. Backroom functions including finance, HR, IT, estates, project / programme management, also need sufficient capability and capacity to support the service. The impact on organisational overheads (and any additional overhead investments) should be considered in the Should Cost model.

● **Potential increase to risk exposure**: Delivering a service via the private sector enables the appropriate transfer of risk which is returned to the department when the associated service is insourced. This may impact an organisation's overall risk profile and exposure to external factors.

● **Impact on market health and other public services**: Departments should assess and understand the impact of exiting a market, and the wider impact this may have on the delivery of other public services (for example, if a supplier considers the market no longer attractive and decides to exit) Where a department is considering exiting a market, early engagement is essential to ensure that suppliers put in place appropriate mitigations. *When considering insourcing a service from a Government Strategic Supplier, you should*

contact the Cabinet Office's Markets and Suppliers team.

- Interdependencies with other public services: Transferring an individual service in-house may impact a number of other public services where interdependencies exist. *A proportionate mapping exercise should be completed to capture these interdependencies and ensure that insourcing a service would have no unintentional short or long-term impacts on other public services.*

- **Accessing required service information and intellectual property**: Attaining required service data may be challenging where it has previously been held by one or more suppliers for a substantial period of time. Some services may also be reliant on specific non-transferable intellectual property owned by the supplier and / or supporting third parties. Accessing this information will usually be stated in the existing contract.

6.8 Mixed economy approaches

Considering a mixed economy approach

Table 2 should be taken into account when consider a mixed economy approach. For mixed economy approaches, it is important to pay particular attention to:

- Interdependencies between services or combinations of services
- Availability of required data
- Transition and mobilisation plans
- Contract management (when insourcing the aggregator function for a group of services)

When considering a mixed model approach, it is also important to consider:

- Where the responsibilities lie as between each party
- What rights each party has in relation to the other
- What liabilities will sit with each party and how you can ensure those are clear and unambiguous
- Overall governance across the different component parts of the service.

7. Cost Evaluation

Step 4 - Building the Should Cost Model

Using Should Cost Models to understand whole life costs

7.1 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.

7.2 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' shall be produced. The guidance note 'Should Cost Modelling' and HM Treasury guidance on quality assuring government models provides additional information.

7.3 Should Cost Models should be reviewed following the evaluation of the strategic and operational criteria as these may reveal additional cost drivers which should be included in the Should Cost Model. During the strategic and operational evaluation, any cost drivers should be captured and reported to those leading the development of the Should Cost Model.

8. Evaluating potential delivery models against the strategic and operational criteria

Step 5 - Conducting the Evaluation

8.1 Evaluation process

8.1.1   Once strategic and operational criteria have been tailored and weighted for the individual service, you should evaluate each potential delivery model. Create a numerical scoring methodology for the criteria with clear descriptions of what each score means, and agree this with key stakeholders.

8.1.2   Experience tells us that there are a number of critical success factors in completing a successful delivery model assessment. These include:

- **Appropriate governance and sponsorship with appropriately qualified individuals**: Senior leadership are clear in why the evaluation is taking place, provide sponsorship, clear governance and allocate suitably experienced and skilled individuals.

- **Good availability of input data**: Data is available to input into the specification and model design and evaluation. This will be supported with a thorough external market health assessment. The quality of data available will also have a significant impact on robustness of the 'Should Cost Model'.

- **Informed strategic and operational criteria**: Subject matter experts are engaged to provide appropriate input into evaluating delivery models against the strategic and operational criteria. Independent facilitation takes place to bring together stakeholders, clarify objectives and drive credible outcomes.

- **Realistic timelines**: Enough time is allocated to run a comprehensive process. Regular pipeline reviews can help to ensure that enough time is set aside for assessing new projects. 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

9. Evaluating the results of the delivery model assessment

Step 6 - Aligning cost and non-cost evaluations

Reaching a recommendation

9.1   Once the scoring methodology has been completed, align the outcomes of strategic and operational criteria with the whole life cost of the service for each delivery model option to reach a recommendation.

9.2   Departments should draw on the considerable experience and skills of colleagues across government and the private sector, who have worked on similar programmes, to confirm that the recommended approach is sensible and takes into account real world experiences.

Table 3: Potential outcomes following a delivery model assessment

Service Delivery Model	Description
In-house ('Insourcing')	Develop own solution using internal infrastructure and expertise
Mixed (Make & Buy)	Some components provided in-house and others by an external provider
Buy ('Outsourcing')	Buy in solution from an external provider
Alternative Commercial 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.**

10. Finalising the delivery model assessment

Step 7 - Recommendations and approvals

10.1.1 Documenting the assessment

10.1.2   As with any materials supporting Business Case development, delivery model assessments and any underlying assumptions should be documented so that, if necessary, outcomes can be audited or reviewed should circumstances change or as assumptions are clarified.

10.1.3 Iterating over time

10.1.4   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 initial assessment should inform the project's Strategic Outline Case. 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. See figure 2.

10.1.5   Once the final delivery model recommendation has been signed-off through appropriate governance there should be a clear plan in place for implementation. For all delivery models, there should be a clear plan in place for monitoring service delivery and quality. This should also link to a benefits realisation plan.

Figure 2: How the delivery model assessment informs business case development
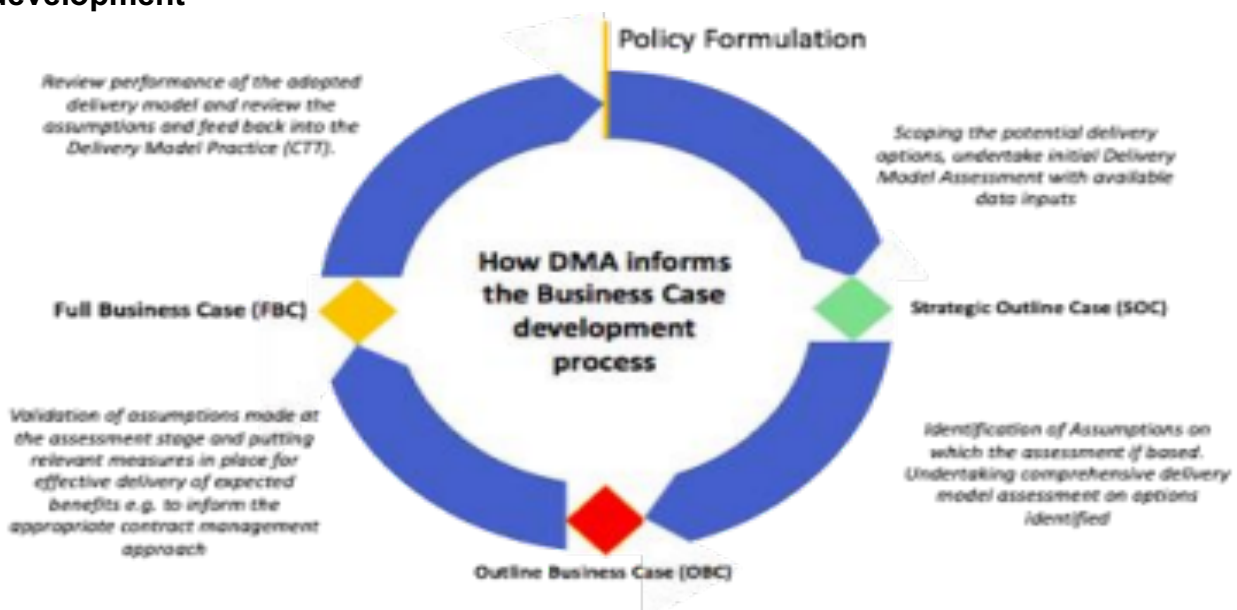
11. Piloting and implementation (Step 8)

11.1.1 When outsourcing a service

11.1.2　Where the recommendation is to outsource a service for the first time, there is a presumption that a pilot will be run ahead of fully implementing the service (see the Testing and Piloting Guidance Note).

11.1.3　If outsourcing part or all of the service, before finalising your specification you should test a final version with the market to check your understanding of the capabilities and some of the possible solutions available. Ensure there are thorough contract management mechanisms in place and you are able to monitor performance effectively.

11.1.4　You should ensure you have sufficiently skilled individuals in place to manage and support the outsourcing process. You should also have appropriate plans in place for contract exit, whether planned or unplanned. Government ultimately remains responsible for the delivery and continuity of public services and therefore it is essential that plans are in place to ensure this in the case of supplier failure.

11.1.5 Delivering a service in-house - applying the same standards

11.1.6　Delivering a service using internal resources and expertise should follow the same robust expectations set out in the Sourcing Playbook for when we outsource a project. This includes setting clear objectives and outcomes, and ensuring contracts are managed by appropriately qualified and proactive individuals with a focus on benefit realisation. These requirements are set out in detail in the Government's Project Delivery standards:

1. **Delivery objectives are aligned** to government policy and organisational objectives

2. Continuing business justification to confirm **benefits can be realised and risks managed** within the organisation's risk appetite, and that unjustified work is terminated

3. **Governance, management frameworks and controls are proportionate and appropriate** to the work and the level of prevailing risk

4. **Accountabilities and responsibilities are defined**, mutually consistent and traceable across all levels of management

5. **Experience and lessons learnt are captured, shared and used** to promote future performance improvement

6. **Work is appropriately defined, planned, monitored and controlled**, quality is actively managed to maximise the likelihood of success and defined working methodologies are tailored for use accordingly

7. **Outcomes and enabling outputs will meet the need** and be validated

by stakeholders

8. **Work is undertaken in multidisciplinary teams** and is assigned to people who have the required capability and capacity

9. **The transition of capabilities to operations is planned and programme or project closure managed**, with ongoing operational responsibilities agreed and accepted

11.1.7   To help achieve these principles, you should consult the following sections in the Playbook:

- **Piloting the delivery of a service (see the Pilot and Testing Guidance Note)**: Whether a service is outsourced, through a hybrid vehicle, using internal resources and expertise, or a mixed model, 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 the 'Preparing to go to market' section in the Sourcing Playbook)**: 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 the 'Preparing to go to market' section in the Sourcing Playbook)**: 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.*

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

Appendix I: Framework to create a service definition and technical specification

The following questions can be used early in the procurement lifecycle to inform the development of a service definition to be used for the delivery model assessment. At this stage you would not be expected to comprehensively answer the questions outlined below however they should be considered a useful guide.

It is expected that before going to tender the answers to the questions below will be articulated in your technical specification

1. **Create a clear vision statement** by identifying the need, budget, objectives, and strategic outcomes and agree this with key stakeholders.

Key questions:

- Why is the service required and what is the overall outcome you want to achieve?
- What are the critical outputs and how are these linked to outcomes?
- How does the service need to demonstrate value for money?

2. For existing services, **map out the 'as-is' process**. Consider all elements of the existing process using the requirements set out below in 3.

3. **Map out the 'to-be' process** outlining your responses to the questions set out below. For existing processes, outline the change between the 'as-is' and 'to-be' processes:

Requirement	Key Question(s)
Timing	- When will the new service be required from? - How long will the new service be required for?
Functions	- What are the key functions the service is aiming to achieve? - What are the minimum service requirements?
People & Capabilities	- What are the capabilities required to run the service? - What specific resource is needed? Do we have it? - What management and oversight is required? - What staffing level is required? - What training is required?

Requirement	Key Question(s)
Processes	• What are the processes in running the service? • How do these processes need to be run? (include process maps where appropriate)
Volumes and Demand	• What are the volume requirements of the service? • Where does the service need to take place? • What is the potential for volumes and demand to fluctuate?
Assets	• What assets are required to run the service?
Outputs	• What are the specific outputs the service will achieve? • How are the outputs linked to the overall outcome?
Independencies	• What are the interdependencies with other services? • What impact does the service have on other services? Are these internal or external?
Security	• Are there any specific security considerations e.g. national or cybersecurity requirements?
Other user requirements	• Have you engaged with stakeholders to identify any additional user requirements? • Are there any specific user requirements not covered in the above categories?

4. Clearly define the separate **components and the bounds of the service**. Whether or not a service is 'commoditised' or deemed 'complex' can impact where the service boundary is drawn.

5. **Identify and articulate risks** in a risk register.

6. Develop **outcome measures linked to the overall vision statement:**

   a) Milestones
   b) Key Performance Indicators (including interdependencies)
   c) Success criteria (critical, other)

7. Include statutory **requirements** (modern slavery, sustainability etc.)

8. **Outline governance and communication requirements** for management of the service

9. **Test your findings** with key stakeholders

Appendix II: Suggested Prerequisites for conducting a delivery model assessment

Although the following elements should not be considered mandatory, experience in conducting delivery model assessments has shown that a number of factors contribute significantly to driving successful outcomes and accelerating the time taken to complete the process.

Those shown with a ✔ should be considered as being usually required, those with a + are highly desirable,

1. Strategy, Purpose and Scope

✔ **Overall service purpose and strategy**
Having a clear understanding of the key customers of the service, desired service outcomes and how these fit with overall departmental strategies and government policies

✔ **High level service definition and scope**
Being able to articulate the service scope and components at a high level (i.e. at least to "level 2" descriptors)

✔ **Understanding the measures of success**
Key performance indicators, or other measures, that will demonstrate a positive outcome of the assessment and delivery of the service

+ **Understanding the supply market parameters**
Knowledge of potential suppliers, their capabilities and relative market positions as well as alternative sources available to government

2. Stakeholders and Governance

✔ **Identified sponsor and decision-making process**
Having a senior sponsor (or sponsors) for the programme and an understanding of the final approvers of the recommendations

+ **Stakeholder map**
A good understanding of the stakeholders who will be involved in and/or affected by the outcomes, ensuring that all relevant parties can be engaged in the assessment process

+ **Project management support**
Having administrative and project management support available to ensure that the programme stays on track

3. Data Availability

✔ **Relevant strategy and policy documents**

+ **Service descriptions**
How the services might be delivered in combination or disaggregated to ensure effective delivery

+ **Supply market analysis**
Any available reports or studies (e.g. from CCS) on the external supply market

+ **Resourcing and capability assessments**
Any analysis of existing internal resource availability, capacity and capability

4. Cost Analysis

✓ **Availability of Should Cost Modelling resource**
Having an owner responsible for setting the model scope and commissioning and coordinating development as well as resource (whether internal or external) identified and engaged to support the Should Cost Model

+ **Incumbent or in-house cost profiles**
Data on current costs and breakdowns

+ **Volumetric analysis**
Understanding of projected volumes

+ **Key cost differentiators**
Understanding of which cost variables are most likely to differ between options

Appendix III: Examples of potential supporting evidence

Supporting evidence is key to ensuring the objectivity of a Delivery Model Assessment. It is good practice to ensure that each of the evaluation criteria is supported by data, information or subject matter expertise that is, where possible, independent of the team conducting the assessment.

Examples of evidence that has been applied in previous Delivery Model Assessments include:

STRATEGIES, POLICIES, BUDGETS
- Departmental strategy and policy documents
- Business case submissions
- Previous reviews, service audits etc.
- Departmental budgets, resource profiles and training plans

CURRENT SERVICE STATUS
- Existing plans, timelines and any wider dependencies
- Risks and Issues Logs (both from current area or similar projects / areas).
- Current contractual documentation, including pricing, expiry dates, performance against service level agreements and KPIs
- Any role descriptions or specifications of the service, product or skills required
- Internal team capability assessments - head count, capacity, understanding of capability and skills
- Performance reporting for incumbent providers

SERVICE BENCHMARKS
- Interviews and surveys of end users (focused on service quality and market dynamics)
- Interviews with other customers of similar services
- Case studies or lessons learned for similar services or Delivery Models (both internal to Department and cross Government)

SUPPLY MARKET INSIGHT
- Applicable Crown Commercial Service Framework Agreements and Dynamic Purchasing Systems
- Supply market analysis reports (e.g. from Crown Commercial Service or the Cabinet Office Markets & Insights Team)
- Interviews with incumbents and / or potential service providers[1]
- Interviews or research papers from subject matter or industry experts, regulators and trade bodies
- Case studies from overseas governments or other public bodies
- External benchmarks (e.g. from industry bodies or consultancy reports)

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[1] Note, however, that care must be taken to avoid potentially prejudicing any future procurements

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