

# Contracting with government - the 'playbook' and direction of travel

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The Cabinet Office has published an updated version of its 'Outsourcing Playbook' - Version 2.0.

The principles which Version 2.0 sets out build on the earlier iteration and give a clear indication of the direction of travel towards 'sourcing playbooks' covering particular sectors. This will be of interest to any public body which contracts with external partners to deliver services, and organisations which supply government or wish to do so. We summarise the key principles below.

## What is the Outsourcing Playbook?

The collapse of Carillion in January 2018, and ongoing concerns about the financial robustness of the sector, led to a review of best practice and production of the Outsourcing Playbook in February 2019 (Version 1.0). Its overriding objectives were to rebuild trust between government and suppliers by improving the way in which government departments assess, procure and manage contracts which deliver public services, and to deliver better outcomes and value for money.

The Playbook is aimed at those within government responsible for the planning and delivery of outsourcing projects.

The press release associated with Version 1.0 explained: "[t]he Outsourcing Playbook will ensure that government gets right more projects from the start, engages with a diverse and healthy marketplace of companies, including small businesses and charities, and is ready for the rare occasions when things go wrong" (Cabinet Office, '[Press Release Updated Outsourcing Playbook](#)' (GOV.UK 10 June 2020), accessed 10 November 2020).

## What is new in Version 2.0?

Version 1.0 introduced eleven key policies that all central government departments are expected to follow when considering implementing outsourcing arrangements. Version 2.0 continues to focus on getting projects right from the start. However, its scope has been widened.

- Version 2.0 provides refreshed or new content regarding:
- Delivery Model Assessments (DMA) (also known as Make or Buy Assessments);
- Piloting First Generation Outsourcing; and
- Building and Maintaining Successful Relationships,

all of which are discussed in more detail below.

A 'functional matrix' has also been introduced which maps the eleven key policies to the individuals who should be most aware of their application, to help guide departments to full and effective implementation.

## Delivery Model Assessments

The Delivery Model Assessment is used to determine whether to outsource and deliver a service in partnership with the private and third sector, insource and use in-house resources, or combine the two. This recognises that a detailed analysis of costs and benefits is

required from the very early stages of a project to ensure the best option for delivery is chosen.

To reach a recommendation on which model of delivery is best before deciding to outsource, insource or re-procure a service or one of its components, the Delivery Model Assessment framework seeks to promote a detailed analytical and evidence based approached assessment of the costs and benefits associated with the different options available. The analysis should include a comprehensive evaluation of the risks and possible consequences of outsourcing, insourcing or through adoption of a hybrid solution.

Delivery Model Assessments are required upon the introduction of new public services, when a significant development of an existing service is identified, and where there is a need to re-evaluate the way in which an existing service is delivered, although described as *“generally good practice for all projects”* (Government Commercial Function, ‘The Outsourcing Playbook (Version 2.0)’ (Cabinet Office, June 2020), page 20).

Early market engagement is encouraged to inform the development of the Delivery Model Assessment, the view being that suppliers are experts in the needs of service users and can provide much insight regarding the risks and delivery challenges associated with any project.

## Piloting First Generation Outsourcing

Although there is still a presumption that a pilot should be run as part of a robust programme of testing when a service is being outsourced for the first time, it is now recognised that this approach is not always practical or beneficial. Pilots are only one form of a range of testing approaches which can be used to determine what works; a more pragmatic approach is adopted. Whereas Version 1.0 listed three main ways of running a pilot, the use of one or more testing approaches at earlier stages of project development is now encouraged, with a pilot being the final stage of testing prior to full-scale rollout of the services.

It is also recognised that not all testing options will be required for every project, and the decision as to which approach to take should be proportional to the size, complexity and level of uncertainty in delivering a service. However, the planning of which testing approaches to include and deciding whether a pilot will be necessary should be incorporated into the Delivery Model Assessment and begin at the earliest stages of a project.

## Building and Maintaining Successful Relationships

Consideration of how departments are to work with suppliers and manage contracts is recognised as essential if contractual outcomes are to be achieved. This chapter is divided into the areas of mobilisation, effective contract management and working together.

Mobilisation is regarded as a key phase following contract award and prior to the contract start date. At the planning stage of any project adequate time should be set aside for mobilisation activities to ensure the correct management processes and relationships are developed before the contract goes live. The potential to employ a phased introduction, rather than a day one step change, is also recognised as a factor which may benefit a service and overall performance. However, if this approach is to be implemented it should be clearly set out in the procurement documents.

Effective contract management should be supervised by an appropriately qualified contract manager with a clear understanding of the services and underlying requirements. The decision as to how the contract will be managed is seen as a key strategic decision and one which should be thought through during the early stages of the procurement process. An expert or practitioner accredited contract manager should be used to manage government’s most important contracts.

The concept of working together involves a consideration of the type of relationship that best suits the individual service, and there is no one size fits all approach. The relationship between a department and supplier should be tailored and can vary depending on the outcomes, specification and complexity of the service being delivered. However, the underlying concept is that working together promotes mutual understanding, improves service delivery and helps solve problems more effectively.

Adopting a strategic supplier relationship management approach is also highlighted as key to improving delivery of government objectives and increase mutual value beyond that originally contracted. Where contracts with government’s Strategic Suppliers are in place, regular engagement with the Markets and Suppliers team is advised to ensure alignment with government’s overall objectives.

## Key policies from Version 1.0

As already explained, the eleven key policies introduced in Version 1.0 continue to remain at the core of Version 2.0. Built on the concepts of transparency, healthy markets, proportionately and clarity as well as an important focus on risk allocation, here we include a broad summary of these policies and to what type of project they apply.

## All outsourcing projects

- Are included in published departmental pipelines.
- To complete a market health and capability assessment early in the preparation and planning stage of the project.
- To undertake a proportional delivery model assessment (formerly a “make or buy assessment”).
- Must include key performance indicators (KPIs) relevant and proportionate to the size and complexity of the contract, with three KPIs being made publicly available, but no more than 1-15 per service to avoid over-complicated contracts.
- Should allocate risk to the party best able to manage it.
- To adopt a pricing and payment mechanism that complements the approach to risk transfer.
- Should assess and monitor the economic and financial standing of bidders.
- Must follow resolution planning guidance to help ensure continuity of critical public services.

## Complex outsourcing projects

- Must go through a Project Validation Review to help assure deliverability, affordability and value for money.
- Must produce a “should cost” model to promote a better understanding of costs associated with different service delivery models and protect government from ‘low bid bias’.
- Are subject to a pilot before full procurement.

## Additional guidance notes

Whilst the Outsourcing Playbook explains ‘what’ should be done, the accompanying guidance notes referenced out from the document tackle ‘how’ things should be done. The updated guidance extends the overall list of accompanying notes to a total of eleven. The notes for Version 2.0 are as follows:

1. Deliver Model Assessments;
2. Testing and Piloting Services;
3. Risk Allocation and Pricing Approaches;
4. Bid Evaluation;
5. Competitive Dialogue and Competitive Procedure with Negotiation;
6. Should Cost Modelling;
7. Assessing and Monitoring the Economic and Financial Standing of Suppliers;
8. Market Management;
9. Approvals;
10. Benefit Measurement; and
11. Resolution Planning.

## Final thoughts

Despite the Outsourcing Playbook being a set of non-binding guidelines, there is no doubt that it represents an authoritative resource which will continue to be utilised throughout central government. Furthermore, failure to follow its advice has the potential to raise questions as to whether a body has taken the appropriate steps and approached the procurement process with the requisite level of consideration, care and planning now expected by many when delivering public services through outsourcing, insourcing or a combination of the two.

The updated version of the Outsourcing Playbook (Version 2.0) and all associated updated guidance notes published by the Cabinet Office can be [found here](#).

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