

WEST DUNBARTONSHIRE COUNCIL

A Competitiveness Framework

January 2010

1. Introduction

Local Government service providers are increasingly required to demonstrate that the services they deliver are 'competitive' with alternative delivery mechanisms including the use of external providers or transfer to other bodies.

The Local Government Act Scotland (2003) implemented the duty to secure 'best value' by reference to economy, efficiency and effectiveness and to put in place mechanisms for continuous improvement. This was envisaged to be achieved through a review process comprising the examination of the 4Cs of Consult, Challenge, Compare and Compete. The Compete element was variously interpreted to imply a range of things through from CCT-style tendering to price benchmarking.

It is now widely recognised that competitiveness cannot be demonstrated through the use of a single measure or mechanism and that the market testing approach is not the only mechanism to demonstrate competitiveness.

There are various definitions of best value – ranging from "the optimum combination of whole life costs and benefits to meet the customer's requirements", "quality services at an acceptable cost" and therefore it follows that contract awards should not simply rely on price alone and that most contracts should be awarded on the basis of the economically most advantageous tender as this allows quality to be taken into account.

Where in-house provision is unable to deliver either value for money or quality service provision it may be entirely appropriate to 'buy in' a service from an alternative provider. In these cases competition should always be used to select a contractor or supplier and in some cases it might also be beneficial to have an in-house bid if this will aid the competition process.

There is a need to be able to identify measures that can be used as the basis for a performance management and assessment framework which in turn can provide the information needed to form meaningful judgements about both the quality and cost of the services provided. The approach relies upon the robust collection and gathering of appropriate information, coupled with the establishment of robust mechanisms for the use of that information in decision

making and service development. The principles apply irrespective of whether the service is provided externally or in-house.

2. A methodology

Assessing competitiveness has three major elements – comprehensive benchmarking of performance, market analysis and service outcome evaluation which is followed by systematic application of option appraisal techniques to ascertain the most appropriate methodology of future service delivery.

Benchmarking – comprising both data and process benchmarking,
Plus.. Market and cost analysis,
Plus... Outcomes and end-user perceptions



Options Appraisal



Decision on service configuration

3. Competitiveness Policy

The Council's policy on competition under best value is outlined in the following 11 statements:

1. In determining how a service should be provided in the future, the Council will select the service delivery option that is best for the public and at the same time most likely to deliver continuous improvement in terms of economy, efficiency and effectiveness.
2. A "mixed economy" of service provision (i.e. a number of providers and/or forms of service delivery) is likely to provide the optimal solution for Best Value in West Dunbartonshire
3. Whichever service delivery option is selected the Council will work in genuine partnership with the provider/s.
4. The Council will generally seek to retain in-house services where there is an over-riding reason for doing so, such as to safeguard the public

interest or users' needs, or to maintain a 'core' democratic, policy or statutory function.

5. If it can be shown that the performance of an existing service compares well with the best alternative provider, and it can be demonstrated that it will be able to meet the required improvement targets and customer needs, the current provider (in-house or otherwise) will be retained.
6. The Council recognises that it does not have a monopoly on expertise and it will be proactive in seeking out new and innovative relationships with other sectors for all services to achieve mutual benefits.
7. Where it is established that a service is materially uncompetitive, and likely to remain so, or it has consistently failed to meet agreed performance improvement targets, an options appraisal will be carried out which will include evaluating alternative service delivery and funding options.
8. Where significant investment is needed, and/or where risks can be shared, the Council will seek out new forms of funding, for example, through partnership with other best value authorities or the private sector.
9. Formal competition is seen as a means of demonstrating competitiveness and improving services, but it is not the only means.
10. The Council will actively consider market testing where there is clearly a viable supply market for a service.
11. Existing partnerships and contract arrangements are not exempt from the competition requirement and will be reviewed to ensure that they deliver best value.

4. The competition process

Challenge, consultation and comparison are integral to the assessment of the way in which competition should be addressed.

All reviews must assess the scope for alternative means of providing the service, identify potential options for service delivery, and develop a methodology for assessing these options for future means of service delivery, which incorporate customer needs, costs and quality of services. All services will be required to

demonstrate that they are competitive by showing evidence of the following in 'position-statements':

- the service meeting and responding to customer needs and expectations
- the service comparing well with the best, with continuous, measurable and sustainable service improvement
- identification and assessment of the options, opportunities and potential which the external market might offer
- a methodology to compare or test the options available, and their likely impact on competitiveness, service to customers, quality and costs
- the rationale and justification for the Best Value service delivery decision, showing how it proves that the service is competitive, to the satisfaction of customers, Elected Members and auditors / inspectors
- an action plan with timeframes to deliver the improvements and changes identified.

The Competitiveness Group will peer-review these 'position statements' prior to regular (annual) reporting to respective Service Committees by Departments

5. Prioritisation of Services

There is a finite resource limitation within Departments – therefore it will be necessary to prioritise analytical time on the service areas where benchmarking and competitiveness studies would be best focussed initially. In time all service areas will be scrutinised. Initially Departments have selected five priority services for detailed analysis based upon one or more of the following:

- (a) current benchmarking studies are non-existent or inadequate to draw meaningful conclusions
- (b) a ready external market (either private or other council) exists for the service
- (c) there has been little or no market testing or tendering

All departmental services will be expected to provide and update a competitiveness position statement as described in Section 4 above which will impact on the prioritisation of benchmarking studies and resources for analysis.