



Bringing it all back home

It may have been out of vogue, but it looks like council services that do precisely what they say on the tin and are delivered directly by teams employed by local authorities, are coming back in style. Evidence is stacking up which shows local authorities are 'insourcing', or bringing services that had previously been externalised to private or voluntary sector contractors, back in-house. And as the recession bites, insourcing is a phenomenon that is likely to grow.

For decades, public sector management theory has held that the market knows best and it has become commonplace for refuse collection, housing benefit, leisure centres and a host of other council services to be contracted out. The review of Britain's £79bn public services industry, carried out last summer by economist DeAnne Julius for the Department of Business Enterprise and Regulatory Reform, unsurprisingly, recommended more of the same.

But the case for in-house teams providing council services directly is an increasingly powerful one in these turbulent economic times. And Insourcing is not confined to UK local government – academics in the USA have found it occurring in businesses as well as the public sector.

Instability in world markets is making private firms more vulnerable to mergers and acquisitions and difficulty in securing investment is placing public/private partnerships under threat. Now, more than ever, local authorities need to be accountable to local communities and provide high quality services despite severely overstretched budgets. They also need flexibility to respond to changing local and global circumstances, rather than being locked into long-term contracts that can be costly to renegotiate.

Whereas in the late 1980s, deciding whether to do things internally or to outsource was usually down to political ideology, these days councils are bringing services back in-house as a result of pure pragmatism. APSE's research shows that insourcing has been occurring in authorities of all political denominations.

The fact that administrative services, such as revenues and benefits, are insourced most frequently is not surprising considering high profile failures that have occurred; such as massive backlogs in housing benefit claims leaving tenants facing eviction prior to services in many London boroughs being returned in-house. Grounds maintenance, street cleansing, waste and recycling are frequently brought back in-house. Leisure, highways, homelessness and school meals, not to mention pest control, have also been insourced.

APSE focused on some 50 examples, which revealed the reason most commonly cited for insourcing was poor contractor performance – often accompanied by a catalogue of complaints from residents. There were instances where contractors tendered at a low price but were not able to live up to what was promised and failed to meet key targets. There were cases of contractors using dilapidated vehicles that kept breaking down across several boroughs. It was also found that low staff morale, due to poor terms and conditions and short-term contracts, impacted upon the quality of services. All in all, dealing with contractors was found to take up more senior management time than anticipated.

Contracts can also end amicably however. In a number of cases, rather than frustration with external providers, councils with a good track record of direct delivery regarded insourcing as way of: responding positively to changing policies; joining up services at the neighbourhood level; or helping meet strategic goals, such as tackling climate change.

APSE's forthcoming report, *Insourcing: a guide for local authorities bringing services back in-house*, analyses the reasons behind the trend and describes the benefits councils have seen as a result. For example, satisfaction with street cleansing in Southwark rose from 30% to 70% post-insourcing. Exeter City Council has used insourcing as an opportunity to apply sustainability principles during building maintenance work. The return of the waste service in-house in Three Rivers has been twinned with efficiency savings of over £1.5m.

Delivering services in-house can also be a way of boosting training and employment opportunities and bolstering local economies as times get tighter. APSE's previous study of the 'local economic footprint', with the Centre for Local Economic Strategies, showed that every £1 spent on direct services in Swindon generated £1.64 as a result of strong local employment and supply chains. That £1.64 being circulated in the local economy is all the more significant in the current downturn.

No-one is suggesting that in-house services should be the only option, or that returning to direct delivery can be done without serious consideration of complex matters. But residents still need services, whether there is a profit in it for shareholders or not, and the capacity to provide them must be retained. And where the market has failed, there is mounting evidence of councils providing more for less. If the Government can bail out banks to the tune of billions and Keynesian fiscal policy is now *de rigeur*, an unshakable faith in market-based approaches to public services must surely be questioned.

Insourcing: a guide for local authorities bringing services back in-house, is published on 30th January and is available from APSE. Price £20 members and £40 non-members. Tel: 0161 772 1810 or email mbaines@apse.org.uk.

Paul O'Brien, chief executive of the Association for Public Service Excellence

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