

On the inside

Standfirst: 'Insourcing' is a phrase you are likely to hear more frequently as local authorities increasingly return to delivery of services by in-house teams, says APSE Assistant Chief Executive Mark Bramah.

'Insourcing' is not a word that's been in common parlance in the public sector in recent years, but, as the recession bites, it is one that councils are likely to be using more often.

More and more councils are bringing services that had previously been outsourced to external contractors back in-house. And the case for doing so is growing increasingly stronger.

Evidence from just a handful of local authorities that have insourced shows what can be achieved from bringing services back in-house. For example, satisfaction with street cleansing in Southwark rose from 30% to 70% as a result of 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 coupled with efficiency savings amounting to more than £1.5m. Bringing Oldham MBC's waste services in-house has enabled them to be combined with parks and street cleansing and a closer link between service delivery and meeting key targets to be achieved. Grounds maintenance services in Maidstone BC have become more resource efficient as a result of direct delivery by in-house teams.

But these are just a selection of more than 50 examples that have been analysed during APSE's research into the growing phenomenon of insourcing. Our report, *Insourcing: a guide to bringing local authority services back in-house*, examines why local authorities are returning services that had previously been externalised to private or voluntary sector contractors to delivery by directly employed teams.

Our researchers found the reason most commonly cited was poor contractor performance, which led to poor user satisfaction with services. Other reasons included; a tender being won at a low price but failing to meet key targets; dilapidated equipment being used; public confusion over who was responsible for what; and a desire for higher quality services. Services have also been insourced as part of a local authority drive for quality service provision and value for money and a 'joined-up' approach.

Administrative services, such as revenues and benefits, are most likely to be returned in-house, followed by grounds maintenance, street cleansing, waste and recycling, the research found. Leisure, highways, homelessness, school meals and a host of other services have also been insourced.

Significantly, we found the decision to insource is being taken for pragmatic and not ideological reasons. Councils of all political persuasion have brought services back in-house. The modernisation and performance improvement agendas, Best Value, Gershon efficiency targets, and an emphasis on neighbourhood management have all prompted local authorities to look at practical ways of responding to huge challenges they face.

And an important factor in deciding to insource must also be its impact on the local economy. Bringing services back in-house means funds are circulated in the local economy, rather than leaking out in the form of profits to shareholders outside of the area. A study of the 'local economic footprint' of public services, conducted in partnership between APSE and the Centre for Local Economic Strategies and published last September, showed that for every £1 of taxpayers' money, direct provision can generate £1.64 in the local economy through strong local employment and supply chains. Such data adds weight to the compelling argument for in-house delivery as economic conditions worsen.

We are not, by any means, suggesting insourcing should be the only option as each council needs to respond sensitively to its own particular situation and priorities. But, as times get harder, unquestioning faith in market-based approaches to service delivery can no longer prevail. The benefits that can be reaped from in-house teams directly delivering local services to local communities must be recognised.

Insourcing is obviously not a decision to be taken lightly. As well as examining why councils are returning services in-house from the private and voluntary sectors and demonstrating the benefits that can be achieved, our report also sets out steps to be taken by authorities that are considering bringing services back in house.

In these turbulent times, local authorities need to be able to respond flexibly to changing circumstances and are less likely to want to be locked into long-term contracts with external providers that cost a fortune to renegotiate. The current economic crisis is focusing minds and forcing councils to deliver ever more for less. In our view, insourcing should be seriously considered as a way of boosting value for the taxpayers' pound, while also helping services become more accountable, responsive and coherent.

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