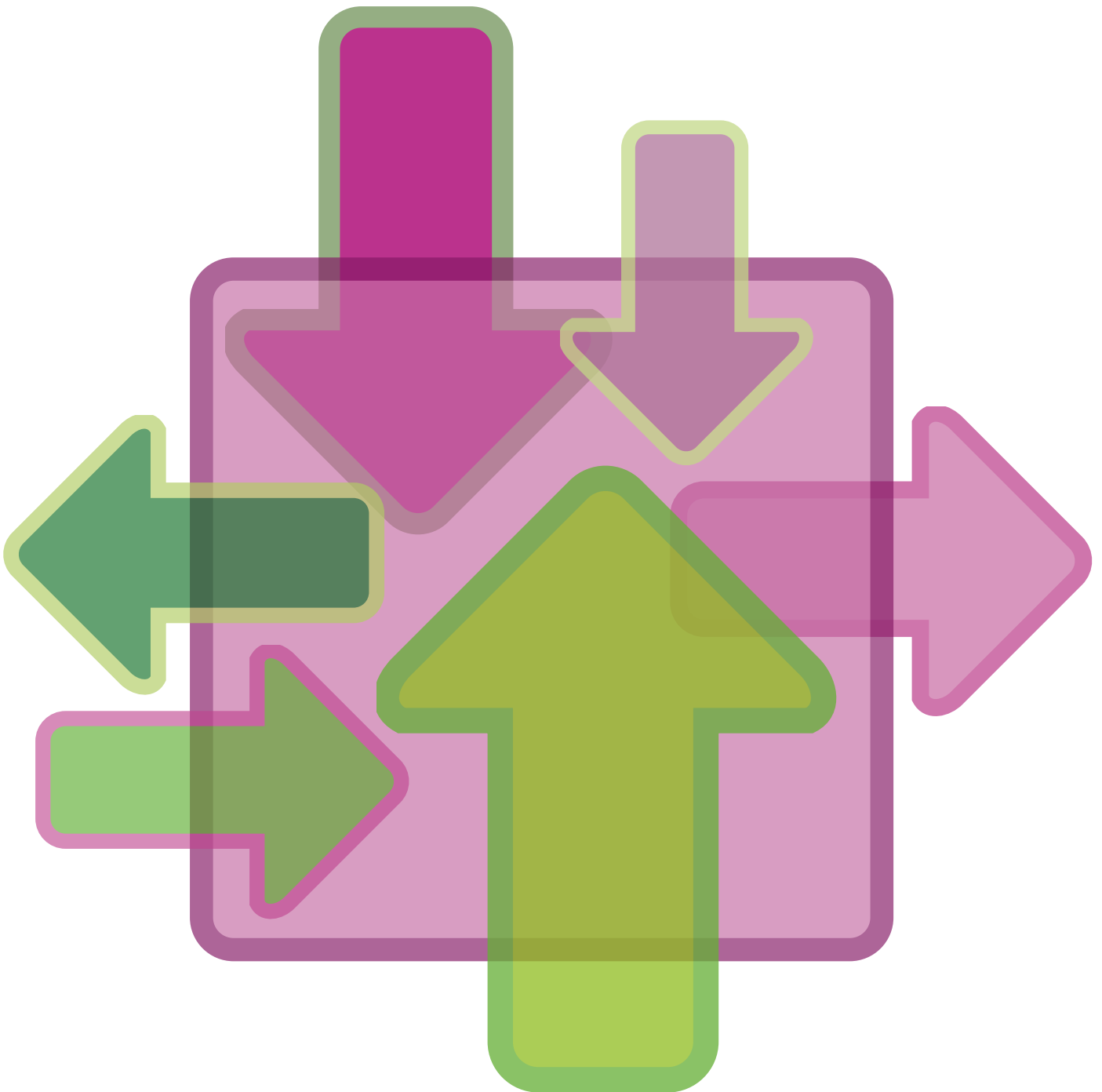


Insourcing:

apse

A guide to bringing local authority services back in-house



About APSE



Association for Public Service Excellence (APSE)

APSE (Association for Public Service Excellence) is a not for profit local government body working with over 300 councils throughout the UK. Promoting excellence in public services, APSE is the foremost specialist in local authority front line services, hosting a network for front line service providers in areas such as waste and refuse collection, parks and environmental services, leisure, school meals, cleaning, housing and building maintenance.

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APSE's
research
shows
insourcing is
happening
for practical
reasons rather
than any
ideological
stance.

Foreword

The word 'outsourcing' is common parlance in both the public and private sectors, but the practice of 'insourcing' has received relatively little attention.

APSE embarked upon its examination of the trend towards insourcing – or returning to delivery of services by in-house providers – before the effects of the global economic downturn were fully evident. The crisis we are now experiencing makes the need to rethink largely unchallenged assumptions about the effectiveness of outsourcing more pressing – and our examination of the insourcing phenomena more pertinent than ever. Instability in world markets will mean private companies who have been delivering local authority services may be more vulnerable to mergers and acquisitions and will find it increasingly difficult to secure investment; recent reports suggest that this is placing partnerships with the public sector under threat.

In such uncertain times, public sector procurers require flexibility, rather than being locked into long-term contractual arrangements that are costly to change. Councils need to be confident that whoever delivers services to communities is fully accountable and financially robust. And they need to be able to retain control over services, offer local training and employment opportunities and prevent public funds leaking out of local areas in the form of profits to shareholders. It is our belief that in-house services can best meet all these needs. While it has become accepted wisdom that when services are outsourced they will inevitably continue to be provided externally, there is mounting evidence that councils have been bringing services back in-house and are continuing to do so.

The Department for Business Enterprise and Regulatory Reform (BERR) Public Services Industry Review, published in July 2008, said there were "clear benefits" to taxpayers in opening up public services to competition, and recommends more outsourcing of public services to private and voluntary organisations. However, APSE's research would suggest that this is far from the case. Here we set out equally compelling reasons both for retaining services in-house and, where there is a good strategic and operational case, for bringing services back in-house from the private and third sectors.

We are not suggesting that in-house services are, or should, be the only method of service delivery available to local authorities. We do however, wish to set the record straight and provide an appraisal of the benefits of in-house provision to counter-balance vested interests seeking only to promote a one size fits all solution. In this we have some useful allies, not least researchers from the United States and Deloitte, whose 2005 report *Calling a Change in the Outsourcing Market* found limitations to the outsourcing drive in public services and evidence of public and private sector bodies bringing work back in-house.

The Department for Communities and Local Government's latest Statutory Guidance on *Creating Strong, Safe and Prosperous Communities* says councils should "regularly and rigorously assess and review the competitiveness" of services against "similar services provided by other statutory bodies, local authorities and other service providers". Many councils already adopt this approach, and where externally provided services are found wanting, local authorities have considered the in-house option as a means of achieving their wider community leadership responsibilities.

Significantly, APSE's research shows insourcing is happening for practical reasons as opposed to any ideological stance. Our investigation demonstrates that councils are finding insourcing a realistic service delivery option that can: ensure service continuity, address issues of poor performance; build flexibility and integration into the service delivery chain; and provide more accountable local services. I hope you will find the research informative and that it will provide a useful guide for those local authorities that are considering insourcing services.

Paul O'Brien, *Chief Executive, APSE*

Services have
been insourced
as part of a
local authority
drive for
quality service
provision
and value for
money.

Executive summary

Introduction

The purpose of this guide is to analyse the return of local authority delivery to in-house providers.

Our approach has been to ask fundamental questions about insourcing that will be of interest to practitioners and policymakers. What services are being insourced? Why are they being brought back in-house? What are the benefits of doing so?

Our research answers these questions and provides a series of case studies to explore insourcing in greater detail. This guide also offers councils considering bringing services back in-house a chance to learn from the experience of those who have already done so. It concludes with a checklist of issues for local authorities to consider when contemplating insourcing.

What services are being insourced?

Our analysis of dozens of examples of councils that have insourced services in recent years showed:

- The service area most commonly subject to insourcing is administrative services – such as benefits and human resources.
- A large number of in-house, front-line services such as streetscene, grounds maintenance and waste, street cleansing and refuse collection have also been insourced.
- In geographical terms, 67% of the returns in-house from our sample have been in the four southern regions of London, South East, South West and East of England.
- In current political terms, there is a correlation between the high percentages of southern authorities that have insourced services and the high proportion of Conservative and No Overall Control authorities identified. This suggests there is no specific ideological preference for in-house services and the decision to insource is taken for pragmatic and sound business reasons.

Why are councils bringing services back in-house?

Our research identified the four core reasons why services have been returned in-house as:

Poor performance

A primary reason for insourcing services appears to be related to poor performance of the service area against key local and national targets and low levels of service user satisfaction. It was also felt that in some cases contractors had to reduce the number of activities being delivered as part of the service as a result of rising costs and that the assets being used to deliver the outsourced service, such as refuse collection vehicles, were poor.

Drive for quality and value for money

Services have been insourced as part of a local authority drive for quality service provision and value for money. Service reviews, Performance Indicators and benchmarking have enabled local authorities to prove an in-house team can provide better value for money in service delivery than an outsourced contract. Additionally, it was felt that there was a degree of inflexibility on the part of private sector contractors to deliver new, added value and quality improvements to service delivery.

Strategic governance and local policy drive

Services have also been insourced as a result of factors such as local political support and the need for a more strategic, holistic approach to public service provision as

part of an integrated service delivery model. This is particularly so in the case of street scene services. Local authorities have also brought services back in-house as a result of changing national and local policy agendas and a belief that in-house delivery would enable greater flexibility to respond to emerging policies.

The workforce

Services have also been insourced as a result of unmotivated workforces contributing to poor performance. Poor terms and conditions, and poor career development opportunities would appear to impact upon the quality of service delivered.

Case studies of local authorities that have insourced services

The following case studies were developed from the longer list of authorities that have brought services back in-house in order to examine the reasoning behind insourcing, the benefits of the return in-house and key considerations when doing so:

London Borough of Southwark insourced its street and estate cleaning service

Tonbridge and Malling Borough Council insourced its homelessness and housing

Maidstone Borough Council insourced its grounds maintenance service

Oldham Metropolitan Borough Council insourced its refuse collection

Exeter City Council insourced its building and electrical services

Three Rivers District Borough Council insourced its waste services

Rother District Council insourced its building maintenance service

Thanet District Council insourced its refuse collection, recycling and street cleansing service

The benefits of insourcing

These studies show the core benefits of bringing services back in-house are:

Performance and governance

Insourcing has led to better performing services and improvement against Best Value Performance Indicator and Local Area Agreement targets. Particular benefit has been derived from bringing decision-making and service delivery closer together, enabling a stronger link to local policy.

Cost efficiency

Insourcing has enabled efficiency savings to be reaped in cost terms. Thanet District Council, for example, has seen annual efficiency savings of £500,000 from returning refuse collection, recycling and street cleansing services in-house.

Community well-being and satisfaction

Insourcing services has led to dramatic increases in service user satisfaction levels, as demonstrated in the London Borough of Southwark, where satisfaction with street and estate cleaning rose from 30% to 70% in four years.

Local economy

Insourcing has enabled the development of stronger local supply chains and enhanced local employment patterns.

Flexibility and added value

Insourcing has enabled local authorities to be flexible in the service activities they offer and to respond to changing agendas and needs. This has been particularly evident as waste services have responded to environmental concerns by moving from simply collecting waste towards promoting recycling and providing facilities for householders to do so.

Service integration

Insourcing has enabled local authorities to develop more integrated and joined up services, particularly in street scene services, which have been able to respond to a range of inter-related issues at neighbourhood level.

Employment considerations

Insourcing has enabled local authorities to expand their workforces and ensure fairer terms and conditions for all employees and promote workforce development and training opportunities.

Quality of services

Insourcing enables a sharper focus upon quality. Each of the case studies identified that the return in-house has had proven benefits for service users, performance, strategy and the local authority generally in terms of quality.

Sustainability

Insourcing enables service delivery to be closer to environmental considerations and sustainability commitments of the local authority.

Considerations when insourcing

The case studies and wider research have been drawn upon to develop a checklist of considerations and key questions for local authorities that may be thinking about bringing services back in-house, which can be found at the end of this guide.

Conclusion

This guide, which forms part of wider research activity being undertaken by APSE, demonstrates that returning services that have been delivered by private and voluntary sector contractors in-house is a valid option requiring serious consideration by local authorities. The research has found a range of evidence-based reasons as to why councils are bringing services back in-house and that benefits are being reaped from doing so.

A primary
reason for
insourcing
appears to be
related to poor
performance.

Insourcing – an overview

Policy perspective

Changes in national political leadership and central/local government dynamics since the late 1980s have led to well recognised shifts in the way in which local authority services have been delivered. A ‘timeline’ outlining trends over the past two decades, pinpointing key policy drivers during this period, can be found in Appendix A.

While local government’s role has increasingly been thrust towards that of an ‘enabler’ rather than direct provider of services, the modernisation and performance improvement agendas, Best Value, Gershon efficiency targets, and an emphasis on ‘joined-up’ delivery have all prompted local authorities to look pragmatically at ways of meeting considerable strategic and operational challenges they face. Services in a host of local authorities across the UK have been brought back in-house as public sector bodies have recognised some of the real costs and risks associated with outsourcing.

Independent consultants Deloitte Consulting argued that, ‘instead of simplifying operations, outsourcing often introduces complexity, increased cost, and friction into the value chain, requiring more senior management attention and deeper management skills than anticipated’. Nor is the return of services in-house just a recent UK phenomenon. Warner and Hefetz’s 2004 report, *Pragmatism over Politics: Alternative Service Delivery in Local Government*, details that a fifth of all previously outsourced services in the United States were brought back in-house. The research found primary reasons for insourcing were: a failure to maintain service quality by the outsourced contractor (73%); and a failure to achieve cost savings (51%).

And yet, the UK Government appears to remain convinced a market-based approach is the means to achieve greater efficiencies in the delivery of public services. The review of the public services industry for BERR in July 2008 recommended more outsourcing of public services to private and voluntary organisations.

The global economic crisis has, however, prompted ministers to take previously unthinkable steps such as nationalising parts of the banking system and bringing forward public capital spending as a means of creating jobs. In the face of clear market failure, the reliance on market-based approaches to meet public service aspirations must also surely be called into question.

APSE’s July 2007 report *Towards a Future for Public Sector Employment* details the ways in which direct provision of services by local authorities can contribute to a wide range of strategic goals – including enhancing accountability, addressing environmental and social objectives. Our September 2008 research, *Creating resilient local economies: exploring the economic footprint of public services*

shows its contribution to local employment and economic opportunities. We believe such evidence of the strategic benefits of in-house provision, alongside evidence here of the benefits that insourcing can bring to services being delivered to local people, ought to prompt national policy-makers to reconsider their assumptions about outsourcing.

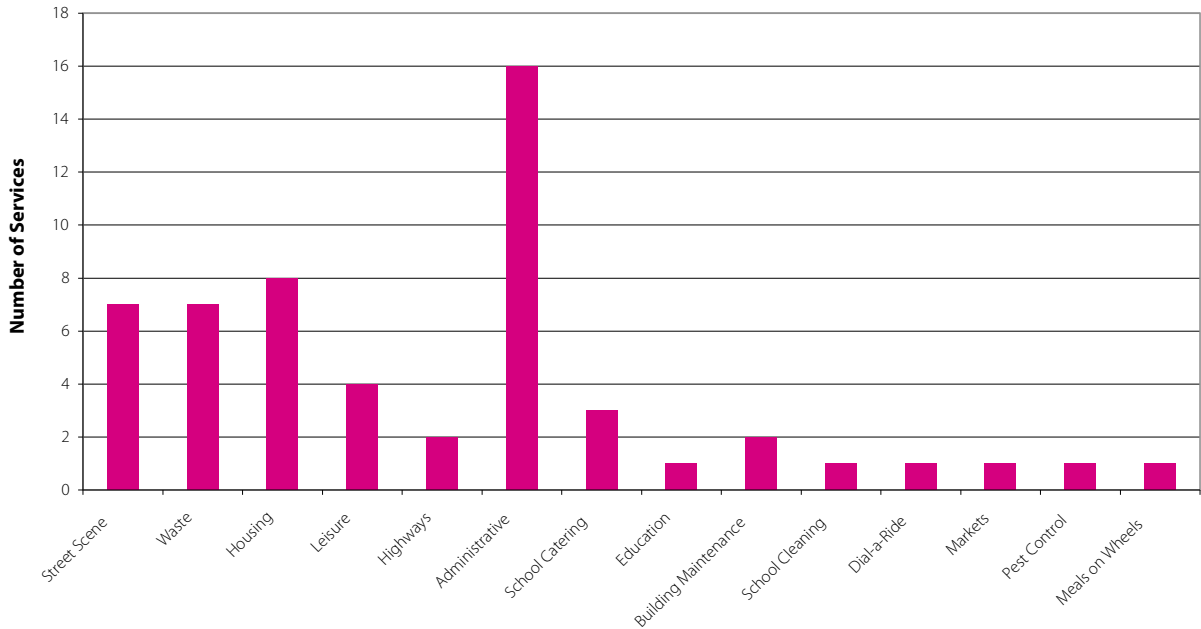
Our approach

APSE’s analysis concentrated on more than 50 key examples of insourcing. Although it is not possible to track every service that has been returned in-house and discover the reasoning behind the decision, our data gave a picture of what services are being insourced, where this is happening and the political profile of councils taking the decision. Interviews with senior officers formed the basis of eight in-depth case studies. A description of the research methodology can be found in Appendix B.

What is being insourced?

Figure 1 shows that service areas ranging from street scene to leisure to building maintenance have been returned in-house. From our examples, the largest service area where there has been a return in-house is related to administrative services and particularly benefits, human resources and ICT. There has also been significant return in-house of traditional 'blue-collar' activities, -- such as street scene, waste and refuse collection, and of housing and homelessness.

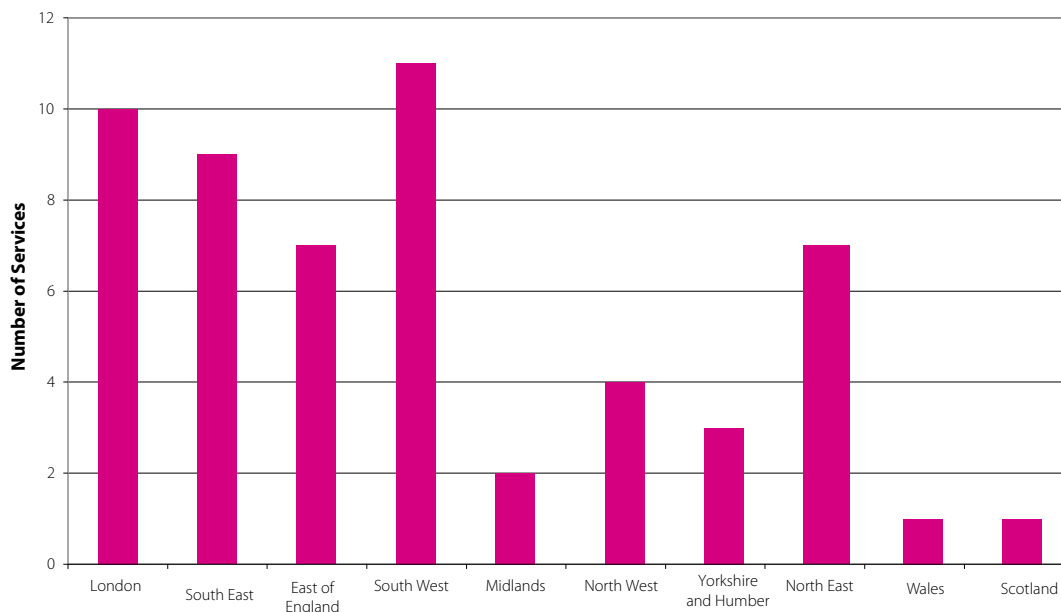
Figure 1 – Insourced services (by service area)



Where is insourcing taking place?

Figure 2 reveals that of the examples assessed during this research, the vast majority are in the Southern regions of London, South East, South West and East of England. Indeed just over 67% of the returns of service in-house have been in these four regions.

Figure 2 – Insourced services (by region)

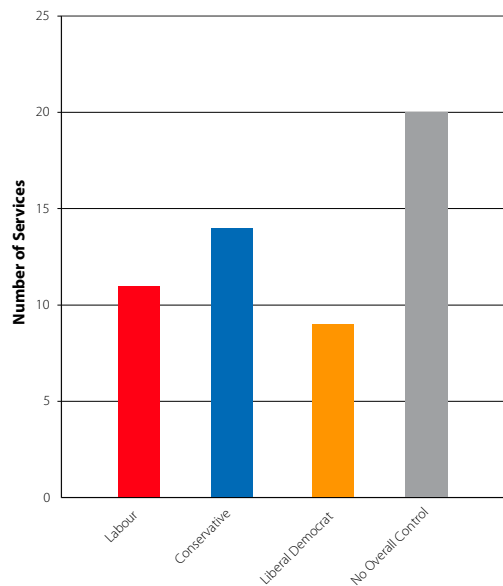


What is the political profile of insourcing authorities?

Figure 3 highlights that, in correlation with the current political administrations of the Southern Regions, the vast majority of returns in-house have been in either currently controlled Conservative administrations or those with No Overall Control. This may well reflect the change in the political control of many English local authorities, but is nonetheless significant in terms of understanding the reasons why services have been insourced.

The fact that services have been brought back in house by Conservative and No Overall Control authorities, whose politicians would not be regarded as traditional supporters of direct service delivery, highlights the fact that decisions to insource have been taken for pragmatic, rather than ideological, reasons.

Figure 3 – Insourced services (by political control, May 2008)



Why are councils insourcing services?

Examination of the examples of wide variety of services brought back in-house in recent years has revealed a range of reasons behind councils' decisions to insource. While the return has often been the result of a contract coming to an end and the market testing of the service revealing an in-house team would be more effective, analysis of the reasoning behind insourcing reveals factors that can be grouped into four key themes.

1. Poor performance

Poor service performance

The greatest reason cited for insourcing a service, either at the natural end of a contract or through contract termination, was poor performance. Many authorities reported that they returned services in-house because private sector contractors were not delivering services to required standards and key delivery targets were not being met.

Service user dissatisfaction

Customer satisfaction has become a vital consideration in service delivery in recent years. Where there has been evidence of service user dissatisfaction with activities delivered by the private sector, or indeed in-house, councils have sought alternative methods of delivery to improve performance.

Reductions in services being delivered

At the tender process when services were being outsourced, contract arrangements detailed the service activities that would be delivered by private sector contractors in relation to the cost of the tender. Upon starting the contract – as a result of often the cheaper costs quoted in the tender process – the contractor did not have capacity or sufficient resources to actually deliver all of the service specified.

Poor stock of assets

Outsourced services, particularly in the area of waste, have been contracted to large organisations with multiple contracts across multiple local authorities. This has had implications for the quality and capacity of assets delivering the services. Ageing refuse trucks, for example, have implications for the quality of service delivered and performance against key indicators.

A need to improve performance against government targets

Through the Local Area Agreement process and other performance management mechanisms, reward funding has been attached to enhanced performance against key indicators and targets. Additionally, in refuse collection and recycling there have been central government financial penalties if key targets have not been met. If a contractor has been performing poorly against targets, local authorities have thus sought to improve performance by bringing the service back in-house.

2. Drive for quality, synergy and value for money

Cost efficiency rather than quality services

Services have returned in-house as a result of cost and quality considerations. Services, particularly waste and street scene, have seen increasing costs associated with delivering services as a result, for example, of the increasing emphasis upon recycling. Whilst private sector contractors have continued to deliver the services, it has often come at an increased cost to the local authority, without improvements in the quality of service delivery. By delivering the service in-house, authorities have greater flexibility to control cost of delivery and twin this with quality services.

Best value and value for money

Performance Indicators, together with a rigorous external inspection and audit regime, such as the Comprehensive Performance Assessment process, has meant local authorities have had to consistently monitor performance of key services and assess the contribution they make to wider value for money considerations. Where performance has been below average and where value for money can be demonstrated, councils have insourced services as a potential solution.

Benchmarking revealed better cost efficiency and effectiveness

As part of performance management, local authorities have begun in recent years to benchmark services against in-house, private sector and third sector options and also against other authorities. Where benchmarking has revealed potential efficiency and effectiveness gains, services have been insourced.

Inflexibility to deliver new services

The ethos of contracting is that providers will deliver the service required and detailed in their contract and nothing further. Any additional activities require further contract arrangements. This has been problematic in areas such as waste, where new agendas such as recycling have emerged and the contractor has not been flexible enough to deliver new services.

Desire for quality services

The Gershon Review and other public service reviews promoted the importance of efficiency in public service delivery. It is also increasingly important however to consider effectiveness and quality. Local authorities have insourced services in order to be closer to service-users and to ensure quality in all aspects of delivery.

3. Strategic governance and local policy drive

Need for strategic synergy

Services have come back in-house as a result of local and central government policy pushes towards integrated services. With related services such as grounds maintenance and street cleansing being delivered partly in-house and partly outsourced, local authorities have brought the outsourced service provision back in-house to ensure services are 'joined up' and potentially improve effectiveness.

Local political support for in-house delivery

Where a local authority has had a Direct Service Organisation (DSO) in operation for a number of years and the effectiveness of that organisation has been proven, there has been local political support for further in-house service delivery. This local political support has led to members pushing for outsourced activities to be brought back under the control of the DSO.

Changing national policy agendas

Policy agendas at the central government level impact on the way in which services are delivered. This has implications for decision-making around outsourced or in-house service delivery. This has been particularly evident in the field of homelessness, for example, where a move towards a preventative approach has meant that, by being closer to service-users, in-house delivery is potentially more effective.

Core local authority business

The Compulsory Competitive Tendering (CCT) regime of the 1980s and 1990s opened services up to competition regardless of whether they were 'traditional' services areas or core local authority business. This led to the tendering out of a number of core local authority services and the loss of local expertise. Local authorities have insourced services in order to regain control of core services.

Strategic-service delivery mismatch

Strategic decision-making around local policy and objectives and service delivery need to be relatively close. The outsourcing of services has widened the gap between strategy and delivery. Local authorities have insourced services to ensure greater control and flexibility over service delivery.

4. The workforce

Local government's training and employment role

Local authorities have a strategic role in ensuring local training and employment opportunities are maximised. Some authorities have returned services in-house because of the poor employment practices of private sector contractors. Lack of investment in training and career development opportunities compared with those available in the local authority have led, in some areas, to a poorly motivated workforce.

Terms and conditions

Some authorities have returned services in-house because of the poor employment practices of private sector contractors. Inferior terms and conditions have created a "two tier" workforce, which has impacted on staff morale and ultimately had a subsequent impact upon the quality of services.

Shared values







Fragmentation of the workforce has led to a breakdown in knowledge of council corporate objectives and reduced the capability to roll out local employment strategies and wider priorities.

These are the
core reasons
for the return
of services
in-house.

Reasons for councils bringing services back in-house

The following tables show the core reasons for the return of services in-house in a selection of the councils that were examined according to the service area. Information is compiled from interviews with the council officer responsible, from APSE's survey and from documents within the public domain.

Table 1 – Street Scene services

Local authority	Service area	Core reasons for return in-house
Bristol City Council	 Grounds maintenance	<ul style="list-style-type: none"> • Return in-house in 2008 of some contracts • Need for higher standards and better services • Contracts had reached their natural conclusion in Bristol East and North • Desire for better and more attractive neighbourhoods • Desire for a more flexible, responsive and productive workforce
High Peak Borough Council	 Parks service	<ul style="list-style-type: none"> • Two major grounds maintenance contracts brought back in-house • User dissatisfaction • Cost considerations • Desire for better performance
Maidstone Borough Council	 Grounds maintenance	<ul style="list-style-type: none"> • Returned in-house 2008 at natural end of contract • Need for synergy between street cleansing and grounds maintenance • Strong existing role for other DSO services • Best Value and value for money considerations • Existing experienced and knowledgeable workforce • Political support for DSO • Opportunity to build upon street cleansing benchmarking
Redcar and Cleveland Borough Council	 Street cleansing, grounds maintenance, refuse collection, recycling	<ul style="list-style-type: none"> • Returned in-house in 2003 at natural end of contract • Move within the council towards area-based services • Primary driver to enable service improvements to be delivered to meet needs and wants of local communities
London Borough of Southwark	 Street and estate cleaning	<ul style="list-style-type: none"> • Returned in-house 2003 at natural end of contract • Poor performance of contractors • Focus by providers upon cost rather than quality • Poor user satisfaction with services • Employment practices leading to less motivated workforce
Torfaen County Borough Council	 Grounds maintenance	<ul style="list-style-type: none"> • Returned in-house in 2003 following termination of contract • Review of service revealed dissatisfaction with external providers • Review of service also showed need for service improvement and closer link between service delivery and the local authority's priorities and objectives • Political support for bringing service back in-house

Political control (May 2008)





-  Conservative
-  Labour
-  Liberal Democrat
-  No Overall Control

Table 2 – Waste and Refuse services








Local authority	Service area	Core reasons for return in-house
East Riding of Yorkshire Council	 Waste services	<ul style="list-style-type: none"> • Part of refuse collection service returned in-house in 2002 • Value for money the key consideration • Good performance of existing in-house team rather than dissatisfaction with external provider • Better price and quality from in-house delivery • Political support for in-house delivery based upon value for money considerations • Quality of service a key consideration in-house rather than cost which was focus of private sector contractor
East Lindsey District Council	 Waste and recycling	<ul style="list-style-type: none"> • Returned in-house in April 2006 • A result of engagement with local residents • Desire for more flexibility and a better service
Gateshead Council	 Kerbside collection	<ul style="list-style-type: none"> • Proposal in place to bring service back in-house • Existing services have physical limitations and capacity on what can be delivered • A desire to improve recycling performance
Oldham Metropolitan Borough Council	 Refuse collection	<ul style="list-style-type: none"> • Returned in-house 1 April 2000 from contractor • Need for a new approach to refuse collection • Ageing refuse vehicles of private sector contractor • A failure to meet government waste targets resulting in financial penalties • Poor service user satisfaction • A need to integrate waste and street scene services
Thanet District Council	 Waste, recycling and cleansing service	<ul style="list-style-type: none"> • Returned in-house on April 2006 at natural end of contract following 20 years outsourcing • Returned drive for in-house delivery of this service area from chief executive • Private contractor not delivering added value in service provision • A need for flexibility and new service activities • Low service-user satisfaction
Three Rivers District Council	 Waste management and services	<ul style="list-style-type: none"> • Returned in-house in 2002 following 13 years of delivery by a private contractor • DSO bid cheaper in terms of cost and also scored higher in quality assessment • Poor performance of private sector contractor • Poor quality refuse collection vehicles • Increasingly high costs of delivering the service • Inflexibility of private sector contractor to adopt new approaches to waste collection, such as recycling
Wear Valley District Council	 Refuse collection	<ul style="list-style-type: none"> - a need to provide a better service at a reduced cost - to enable local authority run investment in new types of services

Table 3 – Housing services









Local authority	Service area	Core reasons for return in-house
Allerdale District Council	 Housing options service	<ul style="list-style-type: none"> • Returned in-house from Derwent & Solway Housing Association • High cost of delivering service • Expectation of a higher level of service
London Borough of Islington	 Housing benefit administration	<ul style="list-style-type: none"> • Returned in-house in May 2003 following termination of contract • Failure to hit key performance targets • Dissatisfaction among tenants • Thousands of benefit claimants facing mounting debts, court action and eviction
London Borough of Lambeth	 Housing benefit administration	<ul style="list-style-type: none"> • Returned in-house in 2001 • Poor performance of service when contracted out and under previous administration • Poor performance against government targets • Vulnerable people in difficult and stressful situations
South Ribble Borough Council	 Homelessness service	<ul style="list-style-type: none"> • Returned in-house in April 2003 • Opinions of service users considered • Recognition of the importance of independence of service provision
Sunderland City Council	 Homelessness Service	<ul style="list-style-type: none"> • Returned in-house in 2004 • Not based upon performance but sought to build on the good work done by Sunderland Housing Group • Sunderland City Council keen to adopt a preventative and early intervention approach to homelessness • Need to bolster the number of specialist housing staff • Need for the council to be recognised as the first point of contact for homelessness issues
Tonbridge and Malling Borough Council	 Homelessness and Housing register	<ul style="list-style-type: none"> • Returned in-house April 2008 at natural end of contract • Changing policy agendas and in particular the preventative approach to homelessness • Not a reflection of quality of the outsourced service • Felt that homelessness should be core business • Local authority were final decision-makers upon homelessness referrals anyway • Confusing among service users • A feeling that housing needs research should also be local authority core business
Tewksbury District Council	 Housing advice, housing register, homelessness, rent deposit /guarantee scheme	<ul style="list-style-type: none"> • Returned in-house in 2004 at natural end of contracts • Development of in-house bid as part of market testing and comparison with current and potential new providers
West Devon Borough Council	 Homelessness service	<ul style="list-style-type: none"> • Returned in-house in 2004 • Need for a more focused and particularly user focused service • Service review recommended staffing level of 4.5 FTE when housing association bid wanted to resource with 7.7 FTE • A desire to achieve best value and improved performance

Table 4 – Leisure services

Local authority	Service area	Core reasons for return in-house
Bristol City Council	● Leisure services	<ul style="list-style-type: none"> • Returned in-house on a temporary basis in 2004 after collapse of Leisure Trust, Bristol Community Sport • Critical analysis of leisure services in 2002 Best Value Review and Audit Commission Inspection with one star score for leisure services • Poor quality facilities managed by Trust • Increasingly innovative sports development strategy being developed by local authority, which needed to be matched with delivery • Ambitions of Leisure Trust not met • City wide facilities and reconstruction strategy including: capital programme for the construction of 3 new pools, with a need for effective and efficient delivery • A need to market test leisure management services
Cheltenham Borough Council	● Leisure services	<ul style="list-style-type: none"> • Returned in-house in April 200 • to enable greater efficiency • to enable better access to services • to enable greater linkages between service delivery and • strategic priorities
North Dorset District Council	● Leisure services	<ul style="list-style-type: none"> • Return in-house of one its leisure management contracts - for the running of the council's Gillingham Leisure Centre
Salisbury District Council	● Leisure services	<ul style="list-style-type: none"> • Return in-house of the management of leisure centre in 2004 at natural end of contract • Series of contractual and operational problems since opening of new swimming centre in 2002 • Need to provide a centre that matches community aspirations • Feeling that it was the right time for the authority to run the leisure centre

Table 5 – Highways services

Local authority	Service area	Core reasons for return in-house
Milton Keynes Council	● Fleet management service	<ul style="list-style-type: none"> • Returned in-house in 2005 • Service was delivered by a specialist post-holder at the private contractor firm, who left role in April 2004 • Several features of the role not being undertaken • On-going support required from local authority to deliver service anyway

Table 6 – Administrative services












Local authority	Service area	Core reasons for return in-house
Bedfordshire County Council	● Strategic Service Delivery Partnership for a range of service areas	<ul style="list-style-type: none"> • Returned in-house in 2005 after termination of contract • Several key deliverables not being delivered including: Performance down on four Best Value Corporate Health indicators; Quality of front-line services declined as measured by BVPIs; • Closure of Maryland College when one of the key deliverables was to improve training provision; • Quality of schools support services in decline • Several cost issues • Unclear whether original efficiency savings target was met • Other concerns including: • District Audit revealing that the strategic partnership was not delivering improvement in services; • Failure to publish the council's 2003/04 accounts on time partly blamed on arrangements with HBS.
Broxbourne Borough Council	● Revenues and benefits service	<ul style="list-style-type: none"> • Returned in-house in 2004 • Return a result of a number of new challenges for service area including system upgrades, pension tax credits and other changes in regulations • Training and development of staff would be better handled as part of a local authority led approach • Amicable split with contractor
London Borough of Croydon	● Pension Administration Service	<ul style="list-style-type: none"> • Returned in-house in 2006 • a desire to improve all round service
Dover District Council	● Counter fraud and benefit visiting service	<ul style="list-style-type: none"> • Brought back in-house from private sector contractor in 2002 • Need to improve levels of fraud investigation and detection • Delays in processing benefits • Poor collection of overpayments
East Cambridgeshire District Council	● Revenues and benefits services	<ul style="list-style-type: none"> • Returned in-house to form a partnership with two neighbouring district councils in 2007 • Move of transaction processing and customer engagement processes to a call centre in another part of the country • Subsequent deterioration of performance measures including council tax collection rates • Increasing number of complaints • Distance of service administration from customers • Development of Anglia Revenues Partnership between sub-regional local authorities
East Hertfordshire District Council	● Information technology	<ul style="list-style-type: none"> • Brought back in-house in 2002 at end of contract • Desire for significant financial savings, increased service responsiveness and flexibility • Need for greater strategic IT management • Requirement for closer link between the IT service and front line service managers
London Borough of Hackney	● Revenue and Benefits contract	<ul style="list-style-type: none"> • Returned back in-house in 2001 • Numerous complaints from the public reported in local press and serious service failings • Backlog of 40,000 claims • 100,000 images of unprocessed paperwork on the benefits system • Taking months to turn claims around • £3 million worth of delayed housing benefit payments • Contract under-resourced – staff on short term contracts and staff morale very low • Anti-union stance by contractor in terms of staff representation • Limited concept by the contractor of the issue of poverty

continued

Table 6 – Administrative services (continued)

Local authority	Service area	Core reasons for return in-house
London Borough of Newham	● Benefits and Council tax	<ul style="list-style-type: none"> • Returned back in-house on 2002 following termination of contract • Series of backlogs in case load • A one star Housing Benefit Service rating in the CPA
Norfolk County Council	● Exchequer, payroll and operational ICT services	<ul style="list-style-type: none"> • Returned in-house following termination of contract with in 2003, six years early • Not possible to resolve outstanding issues concerning the project to secure a new Financial Information Management System • County Council wanted to keep essential ICT, payroll, pensions and exchequer services running smoothly • A need to act clearly and decisively to secure services of the people who delivered them locally
Redcar and Cleveland Borough Council	● HR and payroll, Finance and Accounting, ICT, Public access and Business support	<ul style="list-style-type: none"> • Returned in-house in 2006, three years into 10 year contract • Return followed a strategic review of services • Failure to deliver on key programmes including IT asset register and IT refresh programme • Concern from members, headteachers and officers over lack of strategy, poor ICT delivery of Education ICT and in particular technical support to schools
Suffolk Coastal District Council	● Information and communications technology services	<ul style="list-style-type: none"> • Returned in-house in 2008, the latest of a number of contractors dating back to 1995 • Key drive to improve efficiency and offer better services • Consistently good service from contractor however
London Borough of Sutton	● Revenue service	<ul style="list-style-type: none"> • Returned in-house at natural end of contract in 2003 • Trouble free contract since 1997 • Increased desire from customers for a more integrated service
Taunton Deane Borough Council	● Revenue and Benefits contract	<ul style="list-style-type: none"> • Returned back in-house in 2000 after 16 months with a private company • Recognised by members as a mistake
London Borough of Tower Hamlets	● IT helpdesk	<ul style="list-style-type: none"> • Returned in-house in 2005 at natural end of two year contract • Previously outsourced to three other suppliers • A need to reduce costs • A need to increase the number of calls received at the initial inquiry • A feeling that a better service could be delivered 'ourselves'
London Borough of Waltham Forest	● Revenue and benefits	<ul style="list-style-type: none"> • Returned in-house in 2001 following termination of contract • Complaints from housing benefit claimants about the quality of the service
West Berkshire Council	● Strategic Service Delivery Partnership for IT and corporate services	<ul style="list-style-type: none"> • Returned in-house in June 2005 three years into a 10 year £168 million partnership • terminated by the contractor as they had been unable to grow other public services business to a sufficient level and could not realise anticipated efficiencies

Table 7 – Other local authority services

Local authority	Service area	Core reasons for return in-house
Cornwall County Council	 School meals	<ul style="list-style-type: none"> • Returned in-house from in June 2003 following ten years of being outsourced
Exeter City Council	 Building maintenance	<ul style="list-style-type: none"> • Returned partly in-house from contractor in 2003 • Liquidation of one of the two contractors • Poor performance of one of the two contractors • A need for the growth of the service area
North Lincolnshire Council	 School catering	<ul style="list-style-type: none"> • Returned in-house in 1999
Medway Council	 Pest control	<ul style="list-style-type: none"> • Returned in-house in 2004 • Poor performance by the contractor • Business analysis made the case to bring the service back in-house on the basis of greater efficiencies, better management control and potential for income generation • A desire to expand the service to take on commercial/contract pest control
Mendip District Council	 Markets	<ul style="list-style-type: none"> • Returned in-house in 2005 • Service split across council departments • Belief from the council that it could offer a higher quality service more economically • Need for robust management systems and singular operational responsibility • Recognition that markets should be one of the council's primary income streams • Markets a vital tool in regenerating of town and district centres
Newcastle City Council	 School cleaning services	<ul style="list-style-type: none"> • Returned in-house in 2008 • Primarily at the six new PFI schools • Poor value for money being delivered • Proposed six-figure efficiency saving of in-house team • Neighbourhood services already responsible for school cleaning with regard to the Building Schools for the Future programme • Contractor agreed to removal of cleaning from their obligations • To enable alignment of all PFI projects to one cleaning provider
Redcar and Cleveland Borough Council	 Dial a Ride	<ul style="list-style-type: none"> • Returned in-house in 2008 as part of the council's Integrated Transport Unit • Existing operator rejected council's offer of a new contract – not sufficient to run service • Only option available to council was to bring it in-house – without it there would be no dial-a-ride service
Rother District Council	 Building maintenance	<ul style="list-style-type: none"> • Returned in-house in 2008 after service had been delivered by an external contractor since 1989 • Value for money considerations • Poor cost efficiency and rising cost of materials • Lack of added value of service delivery by contractor • Value for money and contractor limitations
Runnymede Borough Council	 Community meals on wheels	<ul style="list-style-type: none"> • Brought back in-house in 2005 from contractor who had been delivering it for the first three months of 2005/06 • Major desire for efficiency savings
London Borough of Southwark	 Education	<ul style="list-style-type: none"> • Returned in-house only two years into five year contract • Failure to meet several key targets • Claims from contractor that service was unprofitable
Stockport Metropolitan Borough Council	 School catering	<ul style="list-style-type: none"> • Returned in-house 2001 • Quality audits of the school meals service revealed significant levels of under-performance • Reductions in the number of meals being provided • Dissatisfied customers • Negative press coverage about quality of meals

The London Borough of Southwark has seen resident satisfaction ratings of its street and estate cleaning service increase from 30% to 70% in the last four years.

Case studies

The following case studies have been compiled from interviews with key council officers. They offer insight into the thinking behind insourcing decisions, factors to be considered during the process of insourcing in local government and evidence of the benefits that can be achieved.

The London Borough of Southwark

The return of street and estate cleaning services in-house

Introduction

The London Borough of Southwark has seen resident overall satisfaction ratings of its street and estate cleaning services increase from 30% to 70% in the last four years. It has also gone from being rated the fifth dirtiest London borough to the fourth cleanest in the same time period. These positive results have been twinned with over £1 million of efficiency savings. This vast improvement in service delivery, cleanliness and efficiency was achieved following decision made by the authority in 2002/03 to return street and estate cleaning in-house.

The service area

Street and estate cleaning lies within the housing and sustainable services department at Southwark. The delivery of services within the department is relatively split with street and estate cleaning delivered by a dedicated in-house service delivery and management team. Other service areas such as refuse collection are however part of an outsourced and private sector focused integrated Private Finance Initiative scheme.

The history of street and estate cleaning

Under the CCT regime of the late 1980s and early 1990s, a DSO was set up in Southwark to coordinate street cleaning and estate cleaning in 16 defined neighbourhoods within the authority. SITA won the contract to carry out street and estate cleaning on a neighbourhood basis. But there were also 16 separate contracts, which were tendered to a range of delivery organisations. Some suppliers had contracts for a single neighbourhood, whilst others had contracts for multiple neighbourhoods, meaning at times a disparate, uncoordinated and unsatisfactory level of service provision. In 2002, it was decided that the cleanliness and environmental state of the borough was poor which was accompanied with low levels of satisfaction with street and estate cleaning services from local residents.

The process of the return in-house

There were three core options open to the authority with existing contracts due to expire in March 2003. First, they could re-negotiate the existing contractor organisations, using extension provisions. Second, they could re-tender the contract competitively to other private and third sector organisations. Third, they could put in place an operation to deliver the service in-house. On 17 December 2002, backed by cross-party member support, it was decided that street and estate cleaning services would return in-house. The return to in-house service delivery of street and estate cleaning described by the Head of Service as one of the largest in the United Kingdom came into operation on 1 April 2003.

Why bother bringing street and estate cleaning in-house?

Poor performance

The London Borough of Southwark's performance was falling both regionally and nationally to within the bottom quintile of performance against key indicators relating to for example, litter and detritus and fly-tipping.

Cost rather than quality

Under the auspices of CCT contracts for street and estates cleaning were awarded on the basis of cost and specifically cheapness rather than quality. This has meant service quality has suffered where contractors have sought to get the job done for the best price possible without due regard to resident satisfaction and quality.

Poor customer satisfaction

A MORI resident survey from 2002 revealed the extent of resident dissatisfaction with street cleaning services and the general environment in Southwark. Cleaner streets and environment was ranked as the service area most requiring improvement by local residents (31%), with satisfaction levels ranked amongst the lowest in the country.

Unethical employment practices

The employment practices of some of the contractors were viewed as unfair and leading to a poorly motivated workforce, which in turn was having an impact on the quality of the services. Many employees were employed on contracts with only 20 days paid holiday per year inclusive of the eight statutory bank holidays, no pension opportunities and no statutory sick pay.

Key considerations when bringing street and estate cleaning in-house

Staffing

A core consideration related to the transfer of staff to the in-house operation and the harmonisation and dis-harmonisation of those staff. During the set-up of the new in-house operation which was named 'Southwark Cleaning', 447 employees were transferred under TUPE legislation. The process of TUPE led to no employment tribunals and in cooperation with relevant Trade Unions, all staff terms and conditions were harmonised and a joint 'Heads of Agreement' document signed. Southwark Cleaning also undertook a recruitment drive to increase the number of directly employed staff with an agreement to directly employ agency staff after a period of three months.

Assets

As part of the return of street and estate cleaning services in-house and the contract termination agreement with the previous street cleaning contractor, an arrangement was made to purchase its assets and particularly its fleet of vehicles. These vehicles were however expensive to operate, and were replaced within a short time.

Community consultation

The council undertook extensive community consultation on the return of street and estate cleaning services in-house. This was specifically important on the estates, as a proportion of the budget of the service area came from the Housing Revenue Account. The community consultation revealed dissatisfaction with the outsourced service and a general unhappiness with the appearance and cleanliness of neighbourhoods.

The in-house delivery of street and estate cleaning

On 1 April 2003, the new in-house delivery of street and estate cleaning services was launched with a focus upon the eight geographically defined Community Council Areas of the borough. Four Area Managers were assigned the task of managing the delivery of estates cleaning services in two Community Council Areas each. All existing staff from the contractors were transferred to the in-house operation named 'Southwark Cleaning'. The council invested over £1m in improving terms and conditions and upskilling staff. The in-house service now delivers: removal of fly-tipping; removal of graffiti; street cleaning; and estate cleaning.

The benefits of in-house delivery of street and estate cleaning in Southwark

Improved performance management

The move has meant that delivery of services and target setting and performance management have come closer together. The targets form a key part of the outcome of the objective to 'improve the quality of the local environment by reducing the gap in aspects of liveability between the worst wards/neighbourhoods and the district as a whole, with a particular focus on reducing levels of litter and detritus'.

Efficiency savings

Whilst initial investment was required to get the in-house operation up and running and particularly for the improvement of employee terms and conditions, the return of street and estate cleaning services in-house has led to efficiency savings. Between £200k and £250k per annum has been saved in efficiency terms, amounting to over £1million in efficiency savings to date. The authority has been pro-active in reinvesting savings in the service area, with new programmes including night-sweeping and Street Leader scheme, which aims to make neighbourhoods safer and cleaner.

Improved service effectiveness and satisfaction

The return of street and estate cleaning services in-house has corresponded with improvements in service effectiveness and resident satisfaction. Residents are reporting a cleaner and more pleasant local environment, which is impacting upon their quality of life. Additionally, customer surveys have revealed satisfaction levels of residents with street and estate cleaning services have risen from 30% to 70% in four years, according to a 2005 MORI survey. Linked to this has been the move of the London Borough of Southwark from being the fifth dirtiest London Borough to the fourth cleanest in a poll by the environmental campaigning charity ENCAMS. There has also been improved recognition of the local authority as the core deliverer of street and estate cleaning services.

Improved local employment and employment practices

The return of street and estate cleaning services in-house has seen: increases in the number of employees for the services; increases in the number of local employees; and improvements in employment practices and opportunities. Prior to the return in-house in 2003, 447 staff were employed in the service area across street cleaner, estate cleaner, and gardener functions. The service area continues to grow and now employs around 800 staff. The move in-house has also seen a greater local employment ethos, together with training and advancement opportunities for employees. Southwark Cleaning is committed to employing locally and supporting the unemployed and workless back into work through the council's Local Enterprise and Employment Strategy Initiative. It has also offered all employees the opportunity to gain NVQ1 in numeracy and literacy.

Added value

In each quarter of operation, Southwark Cleaning has also undertaken activities which are beyond contractual requirements that applied to the previously outsourced contract and add significant value to the service area. Activities have included: bulk clearances from private properties; removal of graffiti and fly posters from private property; and roads being swept more frequently than scheduled.

Lessons from in-house delivery of street and estate cleaning services

The London Borough of Southwark has used the process and principles of the return in-house of street and estate cleaning services to shape further returns of previously outsourced service areas. The Pest Control service, for example, was brought back in-house in April 2007. Again this was primarily as a result of poor service and not providing value for money. Whilst the Pest Control Service has only been back in-house for a short time, there have been key benefits, primarily in cost terms. When the service was outsourced to the private sector it cost £1.1m per annum to run. The in-house operation is now being run for £700k which represents a significant saving which can be reinvested in service improvements in the forthcoming years.

'Between £200k and £250k per annum has been saved in efficiency terms, amounting to over £1million in efficiency savings to date.'

Conclusion

Whilst the return to in-house delivery has worked effectively for Southwark street and estate cleaning and pest control, the authority stressed that a return to in-house delivery will not be effective for all service areas and authorities. Instead, it felt the decision should be based upon solid cost benefit analysis. However, core benefits in this particular instance were identified as:

Service quality – in-house service delivery provides better quality and more satisfied customers;

Control over delivery – in-house service delivery enables services to be more effectively tailored to changing local circumstances and performance indicators and targets;

A quality employment environment and practices – in-house service delivery enables a greater focus upon employing locally and providing training and career development opportunities for staff.

Tonbridge and Malling Borough Council

The return of homelessness and housing register services in-house

Introduction

Government policy now seeks to implement a more preventative approach to tackling homelessness rather than the traditional supportive framework across local authorities in England, with 'tools' to prevent homelessness before it happens, rather than waiting until it does. Tonbridge and Malling Borough Council has responded to the change in emphasis by returning its homelessness and housing register service in-house.

The service area

The homelessness and housing register service lies within the Directorate of Housing and Health, which delivers a range of traditional services. The directorate has responsibility for: housing, incorporating amongst others supply and demand, affordability and homelessness; environmental health, including food and safety and environmental protection; and waste management, covering refuse collection and street cleaning. Service delivery is split between in-house and outsourced activity. Whilst service activities such as refuse collection are outsourced to a private sector contractor, others such as leisure management, are delivered in-house. The homelessness and housing register service is the only service activity which has been previously outsourced then brought back in-house.

The history of the homelessness and housing register service

In 1991 the council undertook a large scale voluntary transfer of all its housing stock and housing management expertise to Tonbridge and Malling Housing Association. Expertise with regard to residual housing services and housing strategy was however retained as the strategic responsibility of the local authority. The local authority was therefore left with strategic responsibility for services such as housing need; housing assistance; enforcement; and Houses of Multiple Occupation.

One area of housing service activity outsourced to Tonbridge and Malling Housing Association in 1991 was the housing register and homelessness investigations. Tonbridge and Malling Housing Association was subsequently re-named Russet Homes. Whilst the Housing Association became the first port of call for those in housing need and the register, Tonbridge and Malling Borough Council retained the statutory duty to make final decisions upon homelessness cases. The contract for Russet Homes to deliver the homelessness and housing register service was due to come to a conclusion on 1 April 2008. It was decided mutually that the contract would be allowed to expire and that of 1 April 2008 the homelessness and housing register service would return in-house at the council.

Why bring the homelessness and housing register service in-house?

A time for change and policy agendas

The move to preventative measures requires a more informed and responsive focus between the strategic housing authority, statutory and voluntary agencies and critically other housing providers. It was felt that a public sector provider could best join up service areas. The council stressed that the return in-house was not a reflection of the quality of service being delivered by Russet Homes; just that there was a need to bring the service area closer to the local authority.

Core business

It was felt that maintaining a list of housing need and homelessness was core local authority business and should be delivered in-house to enable a better balance of relationships between service users and service providers and also linkages to other service areas.

A final decision on referrals

Under the auspices of the outsourced contract with Russet Homes, Tonbridge and Malling Borough Council continued to have control over final decisions. A move to both in-house delivery and decision-making would allow a layer of bureaucracy to be removed and potentially in the longer term enable more efficient service delivery.

A confusing operation

With some housing services delivered previously by the local authority and some by outsourced contractors such as Russet Homes, there was a feeling in Tonbridge and Malling that services users were confused as to where to go for certain aspects of housing services.

The importance of housing needs research

A key role of the homelessness and housing register service in the past has been to provide research on housing need and demand. The local authority recognised that research should also be viewed as core business providing data useful to both housing and other services.

Key considerations when bringing the service in-house

Staffing

The return of the homelessness and housing register service in-house was the first time the authority had used TUPE legislation with regard to the transfer of staff. A relatively small number of staff delivered the service at Russet Homes and therefore the transfer was not problematic. When the transfer activities were being undertaken, one member of staff retired, one post was filled on a temporary basis, and one member of staff was seconded to the council anyway.

Assets

As part of the return of the homelessness and housing register service in-house, discussions needed to be undertaken with Russet Homes about the transfer of assets. Again this was straightforward, with the only assets being transferred being the actual register and database itself and some IT equipment.

Service users

As part of the return of the homelessness and housing register service in-house, Tonbridge and Malling Borough Council needed to make aware and market the transfer to service users. The council spoke directly to service users and undertook a letter and leafleting campaign, using the motto 'any issues with regard to housing services, then come to the council'.

'The move of the homelessness and housing register service in-house brings the delivery of the service closer to core local policy, strategy, outcomes and targets.'

Local politics

There was an overwhelming positive consensus on bringing the homelessness and housing register service back in-house. This was based primarily upon the direct link to the Government's focus upon preventative measures to tackling homelessness and bringing service users closer to the authority.

The existing contractor

Whilst the move back in-house of the homelessness and housing register service came at the natural conclusion of the contract with Russet Homes, the authority was proactive in communicating their plan with the contractor. Though obviously it was a loss of business for Russet Homes, it saw the benefit of delivering the service in-house, particularly in relation to integrated delivery of services.

The in-house delivery of the homelessness and housing register service

The Tonbridge and Malling Borough Council homelessness and housing register service was brought back in-house on 17 March 2008. The role of the council in delivering the homelessness and housing register service is to help residents in housing need by assessing their housing situation, looking at all available options and, if necessary, adding their name to the housing list. The new service will also continue to support those already detailed on the housing list. The Tonbridge and Malling Housing Options team managing the homelessness and housing register service provide information on four key areas of housing service: housing advice; housing advice for young people; applying for housing; and homelessness.

The benefits of in-house delivery

Links to local policy and strategy

The move of the homelessness and housing register service in-house brings the delivery of the service closer to core local policy, strategy, outcomes and targets. There is a key link between the delivery activities of the homelessness and housing register service and strategic targets contained in the Kent County Council Local Area Agreement and the Tonbridge and Malling Corporate Performance Plan around vulnerable households and providing adequate supplies of affordable housing.

Additionally, the council is one of the few local authorities in England to have had its Local Development Framework adopted. There is clearly a key link between the supply of affordable housing detailed within the Local Development Framework and the demand for affordable housing as specified on the housing register. It is important that there are strong channels of communication between housing services and planning functions, especially as Tonbridge and Malling has been performing well in procuring funding for affordable housing. The authority has received £12m from the Housing Corporation to support its affordable housing development programme and achieved 200 completions last year.

Efficiency

Whilst it is too early to highlight actual efficiency savings of returning the homelessness and housing register service in-house, there are a couple of indications to suggest there will be savings in the longer term. The annual cost of outsourcing the homelessness and housing register service was £170k per annum. In addition, Tonbridge and Malling Borough Council spend in excess of £100k per annum on bed and breakfast accommodation for families and other people on the housing register. By bringing the homelessness and housing register service in-house and by adopting a more preventative approach to homelessness, the authority envisages reducing the numbers requiring bed and breakfast accommodation and thus ensuring cost and efficiency savings. It has also sought to make housing a far more integrated service area in order to produce efficiencies. This includes the development of an Integrated Housing Service covering: housing advice and homelessness; housing options and housing assessment.

A new staffing structure

The move of the homelessness and housing register service in-house has seen both the transfer of Russet Homes staff under TUPE legislation and the recruitment of new staff. The in-house operation now has seven committed staff including: a Senior Housing Option Officer; the three transferred staff; an accommodation officer; and two administration staff to run the housing register or list.

Problematic aspects of the return in-house of the service

Whilst the in-house operation of the homelessness and housing register service in Tonbridge and Malling has only been active for a short period, the local authority stressed that the move back in-house has not been without some difficulties. In particular, it will take the new staffing structure time to bed in, develop and be trained. The transfer of the service has been met with a series of enquiries and expectations from people already on the housing register and list. This has meant that the first couple of weeks of in-house delivery was particularly busy for the new staff team.

Conclusion

Based upon their experiences in the process of bringing the homelessness and housing register service back in-house, Tonbridge and Malling Borough Council felt that there were three core values to in-house service delivery: closeness customers; understanding of what services should be core; and control over delivery.

Maidstone Borough Council

The return of grounds maintenance services in-house

Introduction

Best Value and value for money have become key considerations for local authorities and service providers since the introduction by central government of the best value regime and indicators in 2000. Maidstone Borough Council, through its DSO, Maidstone Borough Services, has been particularly successful in providing a knowledgeable, locally responsive workforce and quality service delivery in the service area of street cleansing. When the renewal of contracts were being considered in 2004 with regard to outsourced grounds maintenance services, it was viewed as an opportunity to ensure best value and adopt these employment practices through an in-house service.

The service area

The Directorate of Regulatory and Environmental Services of Maidstone Borough Council has strategic responsibility for a range of traditional 'blue collar' service areas relating to, amongst others, grounds maintenance, street scene and cleansing, and environmental health. Since the CCT regime of the early 1990s, delivery and contracting responsibility for street related services has been held by the DSO, Maidstone Borough Services. The DSO has traditionally provided the combined client and contracting role for street cleansing and public convenience cleaning and the contracting role for grounds maintenance and other miscellaneous works.

The history of the grounds maintenance service

Aspects of the service delivery activity areas of Maidstone Borough Services have always been held in-house relating primarily to street cleansing and public convenience cleaning. Others, such as grounds maintenance, have been subject to CCT and have been outsourced to private sector deliverers, most recently Glendale. There are several aspects to the grounds maintenance service area of Maidstone Borough Services including parks and gardens, leisure and highways, and housing grounds maintenance, which have been previously outsourced.

Both in-house and outsourced service delivery models have worked relatively successfully in performance and employment terms in Maidstone. However, in August 2004,

it was decided at Cabinet level that there were sufficient benefits to delivering street cleansing, toilet cleaning, grounds maintenance and vehicle maintenance services in-house. The transfer of grounds maintenance services back in-house came at the natural conclusion of the Glendale contract in March 2008 and because another provider went into liquidation. The DSO took the delivery responsibility for leisure and highways grounds maintenance, including parks, gardens and recreation facilities, whilst housing grounds maintenance was transferred back to Maidstone Housing Trust

Why bring the grounds maintenance service in-house

The decision to bring the grounds maintenance service area back in-house in Maidstone was not a result of dissatisfaction with the private sector provider, nor a result of poor quality service or poor customer satisfaction. Instead it was driven by best value and a feeling that in-house service delivery could provide evidence that value for money was being provided for service users and an opportunity for stronger benchmarking of performance against other providers.

Other reasons why the grounds maintenance service area was brought back in-house included:

Synergy

Maidstone Borough Services viewed the return of grounds maintenance services in-house as an opportunity to create synergy between grounds and street cleansing services. It was felt that this was particularly important in employee terms with a joined-up in-house service offering the opportunity for new skills for the existing workforce and the multi-skilling of transferred employees.

The added value of a Direct Service Organisation

Maidstone Borough Council recognises the value of the DSO in providing a responsive service. This was particularly evident in dealing with flash flood issues in the area.

Value for money

It was recognised that the DSO provides a vital link between service users and corporate strategy. In-house delivery of grounds maintenance services was seen as an opportunity to strengthen this link.

An experienced and locally knowledgeable workforce

The council recognised that the DSO had a strong track record in providing an established, experienced and well-motivated workforce with strong local knowledge and a growing skills base, particularly in the provision of street cleansing services. Maidstone Borough Services felt that it was important to sustain, up-skill and build upon this workforce; and one way of doing this being to bring grounds maintenance back in-house.

Political support

In Maidstone, there has been longstanding political support for in-house provision of direct services. There was strong political favour in bringing grounds maintenance services back in-house and support and capital investment in terms of a Green Space Strategy, the Clean and Tidy Borough campaign and a new depot for Maidstone Borough Services.

An opportunity to build upon benchmarking

Maidstone Borough Services, in collaboration with APSE, has made significant progress in benchmarking its street cleansing services against other providers locally and in comparison with other local authorities nationally. The move of grounds maintenance back in-house gave Maidstone Borough Services the opportunity to build upon this.

Quality service provision

The performance and quality of street cleansing and grounds maintenance services in Maidstone is generally good as highlighted in Best Value indicators, benchmarking results, customer satisfaction surveys and visitor numbers.

Key considerations when bringing the grounds maintenance service in-house

Staffing

Bringing grounds maintenance service in-house in Maidstone meant Maidstone Borough Council and Maidstone Borough Services had to consider TUPE legislation in the transfer of staff. Whilst the majority of staff moved to the in-house operation without a problem, there were a number of service delivery and financial risks to consider, notably: the quality of transferred staff; equal pay legislation; and the high take-up of the Local Government Pension scheme.

Management structure

The return of the grounds maintenance service in-house required a significant re-structure of the operational management of the DSO. With the focus upon providing a quality in-house service and ensuring savings through quality, there was a need to restructure senior management to reflect new staffing and service delivery responsibilities. The return of the service to Maidstone Borough Services has been twinned with an increase in turnover of the organisation by 50%, reflecting the need to employ a contract manager. It was also recognised that the management capacity gap between supervisors and the Street Scene Manager needed to be addressed.

Community engagement

Maidstone Borough Council and Maidstone Borough Services have been proactive in informing local communities as to the change of grounds maintenance services from outsourced to in-house delivery. They have been particularly proactive at the neighbourhood level through parish councils and residents and community groups.

Benchmarking

Through the new management structure it was felt that there would be more resources to concentrate on process benchmarking and enable Maidstone Borough Council to learn from authorities in their APSE family benchmarking group that were performing better.

'... it was felt that there would be more resources to concentrate on process benchmarking and enable Maidstone Borough Council to learn from authorities in their APSE family benchmarking group that were performing better.'

The in-house delivery of the grounds maintenance service

Maidstone Borough Council has a core commitment to improving the quality and viability of their parks and recreation spaces. The Maidstone Green Spaces Strategy, 2005-2009, is a key aspect of this improvement with objectives to improve the infrastructure and biodiversity of green spaces, to involve service users, and to make green spaces better known in order to increase their use. The return of grounds maintenance services in-house is a key driver of Maidstone Borough Council meeting the objectives of the Green Space Strategy. There are three core aspects to the grounds maintenance service area:

- The leisure grounds maintenance service delivered in-house
- The highways grounds maintenance service delivered by Kent County Council
- The housing grounds maintenance service delivered by the Maidstone Housing Trust

The benefits of in-house delivery of the grounds maintenance service

Links to local policy and strategy

The delivery of the grounds maintenance service in-house brings the service closer to key local strategy and plans, notably Maidstone Borough Council's Green Space Strategy. The delivery of the grounds maintenance service in-house means the opportunity to contribute to key corporate themes, outcomes and targets around the environment, notably with regard to 'a healthy environment' and 'quality living'.

The quality of services

The focus of Maidstone Borough Council on insourcing has been upon quality service provision and best value and quality of employment.

Workforce development

One of the key perceived potential benefits of the return of grounds maintenance services in-house is development of the workforce. Maidstone Borough Council sees the change in service provision as an opportunity to multi-skill employees and provide a joined up service encompassing grounds maintenance and street cleansing. There are greater benefits to working for the DSO, which potentially lead to a happier and more resilient workforce. There is a strong contribution to the local economy with the majority of grounds maintenance employees living locally.

Learning lessons from in-house delivery of grounds maintenance services

Despite aspects of the grounds maintenance service being brought back in-house, there remains a concern that the service area as a whole remains a little fragmented and difficult to understand who delivers what for service users. The fragmentation of grounds maintenance between Maidstone Borough Services, Kent County Council, and Maidstone Housing Trust could have a negative impact upon public perception.

Maidstone Borough Council believed that there were the market and employment conditions in place in Maidstone to deliver the grounds maintenance service in-house as a result of the role of the DSO, yet other service areas in the Directorate such as parking enforcement were in the process of being put out to tender. Maidstone Borough Council felt that providing services through a DSO provided a safety valve for the service and a key link between service user and corporate strategy.

Maidstone Borough Council and Maidstone Borough Services will use the year ahead to develop new service activities, to focus upon employees and in particular multi-skilling, and to raise the quality of the service in best value, performance and employment practice terms.

Conclusion

Moving aspects of the grounds maintenance service in-house has been determined by a number of factors, most notably the best value regime and a desire to highlight the value for money of the service, but also around the benefit it can derive for the workforce and in terms of synergy between service areas. Maidstone Borough Council stressed the importance of having a DSO in delivering core services in-house and felt that there were four core values to in-house service delivery:

- **Best Value** – in-house service delivery is important in demonstrating best value and better value for money
- **Employee and workforce development** – in-house delivery enables the development of the workforce and in particular the multi-skilling of employees
- **Efficient and effective** resource terms AND more effective in quality terms service delivery
- **Economies of scale** – in-house service delivery makes sense in economies of scale terms.

Maidstone Borough Council stressed that the decision-making process around service delivery was no longer just about 'outsourced or in-house' but needed to consider the sub-regional agenda. There is a new focus upon combined or shared services, something which Maidstone is developing with Tunbridge Wells Borough Council and Ashford Borough Council with regard to shared auditing, shared scrutiny, and shared benefits administration.

Oldham Metropolitan Borough Council

The return of waste services in-house and incorporation into streetscene services

Introduction

Oldham Metropolitan Borough Council brought its waste collection services back in-house in 2000 and additionally integrated its street cleansing and grounds maintenance service activities to form a street scene service area. The move has seen a greater recognition amongst service users of the role of the local authority as front-line service deliverers and opportunities to respond quickly and directly to the changing waste services agenda with innovative service solutions. With the returned in-house team having been in operation for more than eight years, this case study is focused upon reiterating the benefits of delivering the service in-house and the new ways in which the council is joining up strategic and service delivery responsibility.

The service area

The Environmental Services directorate of Oldham Metropolitan Borough Council delivers a range of in-house service activities, primarily in relation to: parks and recreation; street scene (incorporating street cleansing and grounds maintenance); and waste services (incorporating refuse collection and recycling). The directorate is taking a leading role in driving forward the council's partnership working remit, to contribute to the local area agreement and the localism agenda. The focus is upon delivering waste and street scene related services that not only deliver effective and satisfactory services for users but also contribute to strategic priorities and partnerships. Waste services, incorporating primarily refuse collection and recycling and other activities were brought back in-house in 2000.

The history of waste services and street scene

Services in Oldham relating to waste and street scene, together with a number of other areas, were outsourced in the late 1980s and early 1990s in a drive to increase competitiveness and commercialism. Additionally, it was felt that service activities needed to be linked in order to develop more integrated service delivery and service delivery which provided value in economic terms.

A frontline service area such as waste is a service area that has been difficult to deliver by the private sector as a result of fluctuations in the waste agenda, the sheer scale of the operation and in some cases the resistance of the Trade Unions to private sector delivery of waste related services as a result of concerns over employment practices. Additionally, as result of a contract being in place, it is difficult to deliver new and added value service activities on top of what has been specified and contracted for. These were all tensions in Oldham and the waste service returned in-house in 2000 from contractor SITA at the natural conclusion of the contract.

Why bother bringing waste services and street scene in-house?

The return from outsourced to in-house service delivery of waste services and street scene for Oldham Metropolitan Borough Council was for a number of core reasons:

Ageing assets

The delivery of waste services in Oldham by the private sector contractor was being undertaken by an ageing and increasingly inefficient fleet of refuse vehicles. As a result of SITA also having contracts to deliver waste services in Blackpool and Doncaster, vehicles were often being transferred between authorities, which was impacting upon the quality of the fleet.

A failure to meet targets

In the late 1990s, the Government had in place a series of targets with regard to waste collection. These targets were accompanied by financial penalties if not met for the local authority and increasingly the council was not meeting the targets. This meant

not only that a service was not being delivered to standard but also that there were financial implications for the authority.

Poor service user satisfaction

Oldham Metropolitan Borough Council and in particular Members were increasingly receiving complaints about the quality of waste services in the authority.

A need to integrate services

The early years of the 2000s were characterised by a drive from the Government towards joined up and integrated service delivery. With Oldham Metropolitan Borough Council keen to adopt this approach with regard to street scene and waste services and the private contractor not interested in tendering for street scene related services, it was felt that an in-house integrated service was the most sustainable option.

The in-house delivery of waste and street scene services

Waste services and the integrated street scene service area were brought back in-house in Oldham in 2000. Oldham Metropolitan Borough Council is now responsible for all aspects of waste collection, both domestic and business, and recycling activities. The authority has also implemented a number of new areas of service activity relating to waste services including composting. Waste services are delivered in coordination with Oldham Metropolitan Borough Council's drive towards area-based services with issues with regard to refuse collection discussed at area level Community Councils. The street cleansing service is committed to keeping all council maintained areas clean and litter free and has several service commitments including:

- Clean town centre and main road shopping areas daily
 - Empty litter bins in town centre shopping areas throughout the day and twice weekly in all other areas
 - Ensure roads and footpaths are free of litter, dog fouling and other rubbish immediately after they are cleaned
- Remove fly tipped rubbish (council land) within seven working days; remove offensive graffiti from public buildings and street furniture within 24 hours and other graffiti within 10 working days

The benefits of in-house delivery of waste and street scene services in Oldham Metropolitan Borough Council

In the time since the services has been brought in-house, a number of benefits have been derived. These are most notably around:

Responsiveness to changing policy agendas

Over the last five to ten years the waste services agenda has changed considerably with stronger focuses upon reducing landfill and increasing recycling. Local authorities have had to respond accordingly. Having the waste service in-house has enabled Oldham to respond quickly and flexibly to policy change. Waste has also risen on the political agenda as a result of its links to regeneration and the environment and the drive towards public service modernisation. Additionally, the value placed upon waste in budgetary and delivery terms has increased. When waste services were brought back in-house in Oldham in 2000, the service value was around £2.5m. The service is now valued at £5m, meaning that the in-house service has greater flexibility to respond to policy change and control expenditure.

Direct contribution to targets

The in-house delivery of waste services enables a closer link between service delivery and key targets within the Local Area Agreement. The indicators against which waste related activities have been measured have also been changed in the duration in which the waste service has been delivered in-house. Again, the ability to respond in-house to changing indicators is important with the waste service currently contributing directly to indicators relating to reducing the amount of waste sent to landfill and increasing recycling.

'This has enabled a service transformation and opportunity to deliver new activities predominantly relating to recycling and composting.'

Flexibility in service management and delivery

The return of the delivery of the waste service in Oldham in-house has enabled flexibility in the management and the service. Oldham Metropolitan Borough Council has been able to provide added value activities that may not have been implemented with an outsourced contract. This has enabled a service transformation and opportunity to deliver new activities predominantly relating to recycling and composting. Delivery of these added value activities by a private sector contractor could have cost the local authority hundreds of thousands of pounds. The return in-house has also given the waste service management team flexibility to think strategically and to respond to change in policy agendas.

Service user satisfaction

Whilst the previously outsourced waste service had been subject to numerous complaints by service users to elected members, there is some evidence to suggest that the return in-house has led to customer satisfaction improvements. The three yearly customer satisfaction surveys revealed average satisfaction ratings. Delivering the service in-house provided opportunity to respond to issues and tailor or alter services accordingly. This was particularly pertinent in relation to the kerbside collection service, where there were problems caused by Oldham's high prevalence of terraced housing with back alleyways. Whilst it is difficult to directly quantify the efficiency savings from returning the service in-house, it is clear that there are a broader range of services being delivered, prompting significant added value.

Local employment patterns

The return of the waste service in-house has enabled employment practices to be more in-line with wider council policy – meaning a strong direct workforce and importantly a strong local direct workforce. Around 100 people are employed by the service area with a number of local agency staff.

An opportunity to drive forward local policy agendas

The return of the waste service in-house has enabled waste services to coordinate and correlate delivery activities with local strategic policy agendas around localism, Local Area Agreements and partnership working. Additionally, it has enabled the service to have stronger linkages to the area based service delivery model Oldham Metropolitan Borough Council is driving forward. There is a particular focus upon a service vision of 'voice and choice', which is about involving people in the way services are delivered. The community councils are increasingly being used by the street scene and waste service areas as mechanisms of engaging with service users and tailoring services, particularly collection schedules. A private sector contractor may not be able have the same engagement with community councils and may want further resources built into the contract to engage with such a process.

Advice for other local authorities

The Environmental Services Directorate at Oldham Metropolitan Borough Council was keen to stress that a return in-house of services may not be appropriate in every service area and offered the following advice for authorities considering bringing services back in-house:

Think about the service and the locality

Oldham reflected that some outsourced contracts work well and some do not. Equally some in-house operations work efficiently and effectively and some do not. There is thus a need to be reflective of local circumstances, local geography, local policy and local service need.

Effective management and leadership

Oldham reflected that any service delivery needs to be supported by strong and effective management and leadership. Prior to considering bringing services back in-house, the management expertise needs to be in place. Even if the service is outsourced it is important to retain management and leadership expertise in-house.

Think about service type

Oldham reflected that there was a need to think about the service type when considering bringing it back in-house. Oldham was well placed for bringing the waste service back in-house as a result of it being a front line service and a feeling that a return in-house would improve the link between the front-line and the local authority. This strong link is also important when it comes to recognition of the reputation of the authority for delivering the service.

Conclusion

This case study has revealed the strong benefit bringing waste and street services in-house in Oldham has had in terms of: responsiveness to emerging policy agendas; direct contribution to targets; flexibility in service management and delivery; and driving forward local policy priorities. Based upon experiences with services, Oldham Metropolitan Borough Council highlighted four core values to in-house service delivery:

- **Key to frontline services** – in-house service delivery is important for the delivery of frontline services
- **Valuing staff and leadership** – in-house service delivery provides the opportunity for flexible management and leadership practices
- **Sustainable Communities** – in-house service delivery promotes the development of sustainable communities
- **Control over resources and flexible service delivery** – in-house service delivery enables control over resources and flexibility to tailor service activities.

Exeter City Council

The return of building maintenance and electrical services in-house

Introduction

Exeter City Council brought back in-house aspects of its building maintenance and electrical services in 2003, following the ending of the previous private sector contract. The delivery of an aspect the service is now undertaken by the DSO, with other parts of the delivery undertaken by private sector contractor - Signpost Services. This case study details the benefit of the return in-house of aspects of building maintenance and electrical services, focusing in particular upon the benefits of working in partnership with a private sector partner to deliver an integrated, efficient and effective service.

The service area

Exeter City Council has a number of DSOs across different directorates including for the street scene service. The Head of Contracts and Direct Services has responsibility for the delivery of parks and open spaces services and also the DSO responsible for building maintenance and electrical services. Whilst parks and open spaces activities have always been delivered in-house, aspects of the building maintenance and electrical service have been outsourced and then returned in-house in 2003.

The history of building maintenance and electrical services

The housing reactive service of Exeter City Council was put out to competitive tender in 2001. The DSO retained responsibility for civic building maintenance with general building maintenance and electrical services outsourced to two private sector contractors namely, Signpost Services and Tolley. Delivery responsibility was split on a 60-40 basis with the City of Exeter effectively split into two areas. The outsourcing of the building maintenance and electrical services reduced the capacity of the in-house DSO from 25 to 7 staff. Exeter City Council also combined the DSO with the contract development section to secure expected more efficient and effective delivery of the service.

The return in-house of the 40% share of the building maintenance and electrical service came in 2003 following the financial difficulties experienced by private sector contractor, Tulley. Signpost Services maintained its 60% share of the service area.

The process of the return in-house

The return of the share of the building maintenance and electrical service in-house was relatively straightforward. The DSO simply took over the Tulley part of the contract without any difficulties with regard to TUPE. Delivery of the service in-house was initially undertaken with strong use of sub-contractors to enable the in-house service to develop and enable the staff team to build up. The in-house building maintenance and electrical service now employs 18 staff and are delivering new and varied aspects of the housing portfolio including reactive maintenance and roofing programmes.

Why bother bringing building maintenance and electrical services in-house

The move from outsourced to in-house service delivery of aspects of the building maintenance and electrical service was for a number of core reasons:

Difficulties experienced by the private sector contractor

The primary reason for the return of aspects of the building maintenance and electrical service in-house was the financial difficulties experienced by one of the two private sector contractors delivering the service. Exeter City Council and the DSO felt that it had to take responsibility for the service otherwise it would not have been delivered at all.

Poor performance

In addition to the financial difficulties of the private sector contractor, it was also felt that the service being delivered by the contractor was not up to standard. This was not the case with the other contractor, Signpost Services, which was achieving high customer satisfaction ratings.

A need for growth

Exeter City Council recognised that the removal of the private sector contractor represented an opportunity to grow and develop the quality of the building maintenance and electrical service through an in-house option.

The in-house delivery of building maintenance and electrical services

The Contracts and Direct Services Organisation of Exeter City Council now delivers aspects of building maintenance and electrical services. This relates to the maintenance of all council property including civic buildings, housing, car parks and leisure facilities. The DSO has direct responsibility therefore for a part of the city and undertakes work relating to reactive and maintenance work and full-scale refurbishment projects.

The benefits of in-house delivery of building maintenance and electrical services in Exeter City Council

The in-house delivery of aspects of building maintenance and electrical services in Exeter has been in operation for five years. There have been a number of specific benefits from the return in-house, relating primarily to:

Customer satisfaction

The return of aspects of the building maintenance and electrical service in-house has enabled customer satisfaction ratings for the service area to be sustained and improved. The in-house operation is now performing 'neck and neck' with the private sector provider of other parts of the service, Signpost Services. Combined customer satisfaction ratings with service provision are over 90%, a high figure which has led to national recognition for the quality of the service.

'A key benefit of the return in-house of aspects of the building maintenance and electrical service has been the opportunity to adopt sustainability principles in service delivery.'

Contribution to targets

Related to the customer satisfaction ratings is the contribution the in-house building maintenance and electrical service makes to national housing targets. Exeter City Council is now on target to meet and exceed the Government's 2010 Decent Homes targets.

Service user/service provider link

The in-house delivery of aspects of the building maintenance and electrical service has led to a stronger link between service users and the service provider. Whilst no direct consultation was undertaken with service users about the return of the service in-house, the DSO undertakes regular satisfaction surveys and employs an individual to promote the building maintenance service.

Partnership development

With part of the building maintenance and electrical service delivered directly and part delivered by private sector contractor, Signpost Services, tensions were to be expected in service delivery practices. This has not been the case in Exeter with the DSO and Signpost Services forging an effective partnership. The in-house operation has not tried to encroach on the activities of Signpost Services and the partnership arrangement has led to a mutual readjustment of the geography of delivery areas. Exeter is divided by a river and the two providers have swapped territories to enable delivery areas to be closer to their respective depots.

Sustainable service delivery

A key benefit of the return in-house of aspects of the building maintenance and electrical service has been the opportunity to adopt sustainability principles in service delivery. The DSO has a strong focus upon local supply chains and local employees. All suppliers to the service area have to 'sign-up' to the Exeter Green Accord, which seeks to drive sustainability considerations across all local authority functions. Similarly the DSO has a commitment to employing locally with a new apprenticeship programme being developed since the return in-house.

Political support for the DSO

The return of aspects of the building maintenance and electrical service in-house has highlighted local political support for the DSO. There is a cross authority commitment to in-house service delivery in Exeter where services can be proved to be efficient, effective and quality.

Conclusion: the core values of in-house service delivery

This case study has revealed that a combination of in-house and private contractor delivery can lead to an effective and integrated service. Based upon experiences with the building maintenance and electrical service, Exeter City Council indicated there were four core values to in-house service delivery:

- **Public sector ethos** – in-house service delivery strengthens the public sector ethos of services
- **Service user/service provider relationship** – in-house service delivery narrows the gap between service users and service providers
- **Effective and Efficient delivery** – in-house service delivery ensures more efficient and effective services
- **Partnership** – delivering an aspect of a service in-house strengthens partnership activities with both the wider public sector and private sector contractors

Three Rivers District Council

The return of waste services in-house

Introduction

Three Rivers District Council has a strong commitment to increasing rates of recycling. The last seven years has seen the authority perform above expectations with regard to statutory recycling targets, notably being ranked the 20th best District Council in 2005/06 and the 19th best in 2006/07. This period of stretching performance has correlated with the return of waste services in-house in 2002. This case study details some of the key progress the council has made in recent years with regard to waste performance as a result of insourcing. It also stresses the importance of having a process and vision in place before bringing services back in-house.

The service area

The Environmental Protection Section of Three Rivers District Council delivers a Charter Marked range of traditional service user focused delivery activities including: waste collection; recycling; commercial waste; grounds maintenance; street cleaning; cemeteries and abandoned cars. The activities are administered by a DSO with a 'soft split' client/contractor relationship and with some service areas such as waste collection delivered in-house and others such as environmental maintenance outsourced to private sector contractors. Waste services returned in-house in 2002 for an initial expected period of seven years.

The history of waste services

Waste services in Three Rivers District Council have a history of varied service delivery. In the 1970s and 1980s the service was delivered in-house by the local authority. As a result of the CCT regime it was decided in the late 1980s that waste services would be competitively tendered. The service was subsequently outsourced to a private sector contractor. This contractor held the waste service for two full rounds of tendering between 1989 and 2002. At the end of the second full round of tendering it was decided by the local authority that the possibility of bringing the waste service back in-house would be explored. There followed a voluntary competitive tendering exercise and after analysing the cost and quality of the in-house bid against those of the other tenderers, including the existing private sector contractor, the contract was awarded to the in-house team. The contract for environmental maintenance was also up for renewal at the same time as the waste service contract. This service area contract however went to another private sector contractor.

The process of bringing waste services in-house

The Head of Environmental Protection, whilst not at Three Rivers District Council at the time of the return in-house, stated that the decision-making process had been considered and reflective. A number of key considerations ensured that mistakes seen in other authorities were not repeated.

A sustainable vision

The council had a vision in place for sustainable waste management, including a desire for more recycling. This vision was a far greater factor than the performance levels of the existing private sector contractor when bringing the service back in-house. The authority felt insourcing would ensure greater control over delivering against the core vision.

A realism over costs and staffing

Three Rivers District Council realised that the return in-house would have budget implications and that any in-house delivery would have to be cost efficient and effective. The authority was thus realistic about how much an expanded service would cost and how value could be added through the enhanced recycling activities. The council also realised that in order to ensure sustainable service delivery, it would have to pay decent salaries to operational staff and offer improved terms and conditions.

A need for expertise

The outsourcing of waste services in Three Rivers in the late 1980s meant that the authority lost key strategic and delivery expertise. In order to overcome this, the authority sought strategic help and experience from outside the authority to support the transition of the return in-house. It accepted that there was no point overstressing capacity by attempting to bring the environmental maintenance service in-house at the same time.

A recognition of divergent operational cultures

Three Rivers District Council recognised that there are divergent operational cultures between outsourced and in-house models. A key consideration in Three Rivers when bringing waste services in-house was thus recognising this and managing the transition.

Why bother bringing waste services in-house?

The drive and vision for sustainable waste management and recycling was the core driver of insourcing. There were also a number of additional, largely performance related factors:

Poor performance

The private sector contractor had responsibility for delivering the waste service for two rounds of tendering between 1989 and 2002. One of the catalysts of poor performance was the quality of the refuse carts. With the contractor having contracts for waste services in other neighbouring local authorities, there was a feeling that Three Rivers got a raw deal with the quality of the refuse vehicle fleet. This had knock-on effects on performance with a run-down fleet not performing to its targets.

Refuse teams were often working from 6am to 6pm to ensure a full collection.

High costs

The authority's political administration was worried about the high comparative cost per household figure for delivering the Waste Service (BVPI 86) and coming under pressure to reduce the cost.

Inflexibility

In the early 2000s the Government was devising and implementing key changes in the waste agenda and the way in which services were being managed and delivered, with a particular emphasis upon reducing the amount of waste going to landfill and increasing recycling levels. Despite consulting the private sector contractor on the changes in the waste agenda, Three Rivers District Council felt that the private sector contractor did not have the flexibility to tailor service delivery accordingly. The council felt it needed to be forward-thinking with regard to waste management change and that the contractors were both anti-recycling and anti-change. Additionally, there was a perception that any change in service would be accompanied by additional costs being charged by the contractor.

Key considerations when bringing waste services in-house

The council indicated it needed to consider a number of issues when returning the services in-house:

Expertise

With waste services having been outsourced in Three Rivers District Council for a period of 13 years, there clearly would have been a loss of key personnel from the local authority delivery team, particularly in terms of senior management. The most senior person to be transferred from the contractor to the in-house team was an Assistant Manager. The council therefore had to restructure existing staff to enable an effective management structure to be in place for the in-house operation.

Employment

The authority had to apply TUPE in the transfer of staff from the private sector contractor. The transfer of staff was complicated by the fact that the private sector contractor offered their staff a significant pay rise as the service was being re-tendered, meaning an additional cost for the in-house operation once the service had been transferred. A total of 50 staff were transferred under TUPE. The in-house operation did not transfer any senior staff from the private sector contractor.

Assets

The authority had to consider assets and how to deliver the new in-house services. The contractors refuse carts had gone beyond the end of their economic lifespan and were not transferred back to the in-house operation, so Three Rivers used capital money to purchase a new fleet of vehicles in 2002 and has now developed a rolling vehicle programme for future vehicle replacement.

Consultation

There is a clear need to consider service users when returning services in-house from the private sector. Insourcing waste services in Three Rivers in 2002 came in a time period when central government was pushing for strong community consultation on regeneration and other aspects of service delivery but also coincided with increased recycling. The consultation in Three Rivers, including face-to-face roadshows as well as more conventional consultation methods, led to consultation fatigue amongst communities; so consultation on waste services was not so intensive for a time after 2003. There was a feeling however that recycling was an increasingly important consideration for local people as part of an integrated waste service.

The in-house delivery of waste services

Three Rivers District Council, managed through its management team and delivered through its DSO, Three Rivers Waste Management (TRWM), has delivered a range of waste services since 2002. Increasingly the focus has been on recycling and service activities include:

- The weekly collection of domestic refuse
- The fortnightly collection of paper, cans, plastic bottles, aerosols, glass bottles and jars
- The fortnightly collection of garden waste, most cardboard and food waste
- The Hertfordshire County Council subsidised home composting scheme
- The management of recycling sites
- The collection of clinical waste
- Refuse and recycling collections from business premises
- A special collection service for bulky household waste
- Educational campaigns and enforcement

The benefits of in-house delivery of waste services in Three Rivers District Council

There have been key benefits as a result of insourcing, largely associated with:

Improved performance

The return of the waste service in-house in Three Rivers has seen significant improvements in performance in quality, effectiveness and target terms. With regard to key Best Value Performance Indicators such as BVPI412 (number of missed bins) there has been a service improvement of approximately 20% per annum. It is however in the field of recycling where the most drastic service improvements have been made. Three Rivers District Council perceive themselves to be way ahead of the target for recycling within the Hertfordshire Local Area Agreement. Additionally for performance against statutory recycling targets the authority has increasingly stretched performance against key targets. In 2005/06 the recycling target was 30% of waste, with Three

'In 2006/07, residents in Three Rivers recycled 44.2% of their waste, which was also the highest in Hertfordshire.'

Rivers achieving 40%. In 2005/06 and 2006/07, Three Rivers were the 20th and 19th best performing district council for recycling. In 2006/07, residents in Three Rivers recycled 44.2% of their waste, which was also the highest in Hertfordshire. The aim is to go beyond 50% in 2008/09. Three Rivers believes there to be a key link between this improved performance and the return to in-house delivery.

Efficiency savings

The return of the waste service in-house in Three Rivers has been twinned with efficiency savings of over £1.5million when compared to the original contract. Whilst these savings would have been kept as a profit by a private sector contractor, the local authority has been able to retain the savings in its reserves and invest them back in services at no further expense to the local taxpayer.

Local employment and local recognition

The return of the waste service in-house in Three Rivers has eventually led to a greater recognition amongst service users of the local authority as the core deliverer of the waste services. Additionally, in a relatively affluent authority, Three Rivers District Council stated that a strong proportion of its workforce is local. The authority has also been able to be recognised for quality standard of its employment practices. They were recognised by the Chartered Institute of Waste Management Environmental Excellence Awards because they have maintained excellent standards in health and safety for all staff. This is one area of employment added value which would not have been available through the private sector and has included all staff undertaking an extensive training programme, including a City and Guilds qualification.

New service activities

The return of waste services in-house in Three Rivers has enabled the flexibility to develop new ideas and service activities. Additionally these have provided added value to what is expected to be delivered and have been trialled quickly and efficiently.

Learning the lessons from in-house delivery of waste services

The re-tendering of waste services for Three Rivers District Council was due to take place in 2009. However, as a result of the quality of the service and evidenced good performance delivered by the in-house operation, this has been put back until 2011. Three Rivers are additionally utilising the good practice with regard to waste services to shape an in-house bid for the environmental maintenance service when it goes out competitively again in 2009. The environmental maintenance service has been delivered by a private sector contractor for a number of years, simply because there was not the in-house capacity to deliver the service. They are also using the successes of in-house waste services to market an in-house environmental maintenance service to residents.

Conclusion: the core values of in-house service delivery

Based upon their experiences with waste services, Three Rivers District Council indicated that there were three core values to in-house service delivery:

- **Value for money** – in-house service delivery provides better value for money and enhanced performance;
- **Flexibility** – in-house service delivery enables flexibility and innovation in service activities;
- **Quality** – in-house service delivery enables quality service user focused service delivery.

Rother District Council

The return of building maintenance services in-house

Introduction

Rother District Council has recently gone against the grain of the historical political culture of the authority by bringing building maintenance back in-house. Rother has had a strong Conservative led tradition of outsourcing operational services to the private sector. This case study details the reasons for the return of the building maintenance service in-house and some of the expected benefits.

The service area

Rother District Council is a very small, rural district authority in East Sussex. The strategic responsibility for building maintenance falls with the Head of Amenities, who also has district level responsibility for: coastal issues; public conveniences; waste services; parks; highways and street cleaning; and leisure management. The majority of operational or contractual services are outsourced with service development and strategic responsibility undertaken in-house. The building maintenance service on 31 March 2008 is the only service area that has returned in-house, with other services delivered by a range of private sector contractors including: SHS Cleaning Ltd; Verdant Group PLC and John O'Connor Ltd.

The history of building maintenance

There has been a historical political culture in Rother since the late 1980s, when the CCT regime led to the outsourcing of service delivery to private sector contractors. This outsourcing was supported by Conservative members and council. In line with this, the building maintenance service has been outsourced since the early 1990s with senior local authority staff taking the role of managers of contracts rather than managers of services. The initial outsourcing of building maintenance activities in the early 1990s included the maintenance of the local authority's social housing stock. However, with the transfer of housing stock to a Registered Social Landlord in the mid-1990s, the remit of the service and contract was significantly reduced. The reduction in the remit of building maintenance across a District some 200 square miles wide led to difficulties in re-tendering the service at contract ends. This situation was not helped by rising overhead costs for delivering service activities. In the 2000s, the service was outsourced to private sector contractor, Booker and Best, who also held the contract with the neighbouring authority. The building maintenance service returned in-house to Rother District Council in March 2008 at the end of the contract with Booker and Best.

Why bother bringing building maintenance in-house

The move from outsourced to in-house service delivery of building maintenance services in Rother District Council was for a number of core reasons:

Cost efficiency

Rother District Council recognised that building maintenance was a service area in which the cost of stock and materials was increasingly rising making it a less cost efficient and effective service. Additionally, the service was becoming increasingly more technical to deliver.

Lack of added value

The delivery of the building maintenance service by the private contractor was not delivering the expected added value in delivery terms. Whilst the contractor was getting on with delivering specified jobs, it was not pre-empting problems or delivering further maintenance activities that proffered added value in addition to responsive building repairs.

'The return of the building maintenance service in-house represents the opportunity for the local authority to reconsider its supply chain and achieve economies of scale in using local suppliers.'

Value for money and contractor limitations

Related to the above two points, Rother District Council felt that the outsourced contract for building services was not delivering value for money as a result of contractor limitations.

Key considerations when bringing building maintenance in-house

The council had to consider a number of issues when bringing the service back in-house, relating primarily to:

Employees

Whilst the transfer of the building maintenance service from outsourced to in-house service delivery was relatively small, Rother District Council did have to consider TUPE legislation with regard to employees. Whilst only one member of staff was TUPE'd it was a time consuming and costly process.

Consultation

Whilst no formal community consultation was undertaken, Rother District Council did consider the thoughts of communities, which indicated that there was widespread dissatisfaction with response times for building maintenance activities.

Political ethos

With such a strong political culture of outsourcing, officers had to be politically sensitive and ensure full political support for the return.

The in-house delivery of building maintenance

The building maintenance service in Rother returned in-house on 31 March 2008. As well as delivering the responsive maintenance service as before, the in-house operation adds value by delivering an enhanced service which includes an emphasis upon prevention and recognising problems before they need fixing.

The benefits of in-house delivery of building maintenance in Rother District Council

Whilst the in-house operation of the building maintenance service in Rother has only been active for a short time, the local authority was keen to stress that there were a number of potential longer-term benefits from bringing the service back in-house. These potential benefits relate primarily to:

Service improvements

Rother District Council indicated that they envisaged that the return of the building maintenance service in-house would lead to service improvements notably around improvements with regard to response times to problems and in particular graffiti; and the quality of building maintenance work undertaken. Additionally, the authority felt quicker response times, coupled with a focus upon recognising problems before they happened, would lead to better value for money.

Efficiency savings in the longer term

Whilst Rother District Council indicated that they expected the cost of the service to remain around the £300,000 mark in the first few years of the in-house operation, it did expect contained or reduced costs and service efficiencies in the longer term.

Local supply chain

The return of the building maintenance service in-house represents the opportunity for the local authority to reconsider its supply chain and achieve economies of scale in using local suppliers and buying maintenance products in bulk. Additionally, the in-house operation employs local staff.

Conclusion: the core values of in-house service delivery

Based upon experiences of bringing the building maintenance service back in-house, Rother District Council felt that there were two core values to in-house delivery:

- Management control – in-house service delivery enables senior management control over both service strategy and service delivery;
- Accountability – in-house service delivery enables more effective accountability to service users and members.

Thanet District Council

The return of refuse collection, recycling and street cleansing in-house

Introduction

Thanet District Council has been innovative in recent years in how it delivers its refuse collection, recycling and street cleansing services. The flexibility offered by bringing the service back in-house in April 2006 has enabled a series of new service activities to be introduced including: wheelie bins; fortnightly collection cycles; green waste collection; and clinical waste collection. This case study explores the return in-house of these three service areas in Thanet and the benefits that are being reaped in flexibility and performance terms.

The service area

Refuse Collection, recycling and street cleansing in Thanet lies within the responsibility of the Commercial Services department. This department is split broadly into two parts. The Works Services part delivers service activities around: refuse collection; recycling; street cleansing; public conveniences; grounds maintenance; and parks. The Leisure, Culture and Tourism Service has a remit which includes responsibility for leisure services, arts and sports, together with responsibility for the shoreline. The refuse collection, recycling and street cleansing service area was brought back in-house on 1 April 2006 with grounds maintenance activities also previously brought back in-house.

The history of refuse collection, recycling and street cleansing

Refuse collection and street cleansing services were always delivered in-house in Thanet District Council up until the late 1980s. At this point and coinciding with the onset of the Compulsory Competitive Tendering regime, the service area was outsourced to private sector contractor SERCO. They delivered the contract for a period of 10 years before it was tendered to another private sector contractor SITA in 1999. SITA won the tender by virtue of delivering a bid for service provision that was costed at £1million less than any of the other bidders. SITA delivered the service until April 2006 and the conclusion of their contract, at which point it returned to in-house delivery.

Why bother bringing refuse collection, recycling and street cleansing in-house?

The move from outsourced to in-house service delivery of refuse collection, recycling and street cleansing in Thanet District Council was for a number of core reasons:

Chief executive's drive

The chief executive of Thanet District Council came from an authority with strong in-house principles for the delivery of waste and cleansing related services. The refuse service had been performing well and efficiently and the chief executive thus played a strong role in detailing the benefits of in-house service delivery and driving the return in Thanet.

No added value performance

As a result of the low price of the contractor's tender to deliver the refuse collection, recycling and street cleaning service in Thanet, when it came to actual service delivery, they found that a number of activities could not actually be delivered to sufficient quality within the cost framework. This meant a number of aspects of the contract were deleted, with limited opportunity for added value.

An opportunity for market testing

The end of the contract for refuse collection, recycling and street cleansing presented the opportunity to shape the future of service provision through market testing and in particular highlighting the potential value of an in-house delivery option. Market testing presented the opportunity for the local authority as a result of knowing how much the service currently costs and knowledge of the current rising cost of contracts to put in the most cost efficient and effective bid.

A need for flexibility

The council recognised that the existing deliverer of refuse collection, recycling and street cleansing did not possess the flexibility to deliver new service delivery activities. Thanet District Council was keen to restructure service provision and a key way of ensuring this service innovation and flexibility would be to bring it back in-house.

Low Customer Satisfaction

Best Value Performance Indicators and other customer satisfaction surveys in Thanet revealed that satisfaction levels with refuse collection, recycling and street cleansing were below the necessary levels and often significantly below the national and regional averages. Thanet District Council wanted to buck this trend and in-house service delivery was viewed as a way to do this.

Key considerations when bringing refuse collection, recycling and street cleansing services in-house

Thanet District Council indicated that they had to consider a number of issues when bringing the refuse collection, recycling and street cleaning service back in-house relating primarily to:

Staffing

The return of the refuse collection, recycling and street cleansing service in-house in Thanet had implications in staffing terms, particularly with regard to TUPE legislation. Between 120 and 130 staff were transferred from private sector contractor SITA and it has been a relatively long term process. Indeed the authority is still in the process of transferring staff onto Council terms and conditions.

Assets

Thanet District Council had to consider the quality of the private sector contractor's assets when bringing the services back in-house. The refuse collection stock had been effectively 'run into the ground' meaning that the local authority had to put resources aside to purchase a new fleet of vehicles. The local authority already owned the depot so that was not an issue for transfer.

Local political cultures

Thanet District Council had to consider the views of elected members with regard to the return in-house of refuse collection, recycling and street cleansing services. There were split opinions with regard to the return within the ruling Conservative group.

The in-house delivery of refuse collection, recycling and street cleansing services

The refuse collection, recycling and street cleansing service in Thanet returned in-house on 1 April 2006. The return of the traditional services took place with no direct changes to the days of rubbish and recycling collections. The new in-house service

was accompanied by a £1.45million investment in new, market-leading equipment, including a fleet of 14 Dennis Eagle refuse freighters, five Johnston street cleaners, and 30 barrows for staff. Cleaner streets, rubbish and recycling are a key Thanet priority and of critical importance to local people. The core aim of the in-house operation in 2006 was to improve the services, so that people were satisfied with them. The in-house delivery of the service has enabled the flexibility for Thanet to deliver a range of new service activities including:

- The implementation of a wheely bin service;
- The strengthening of collection in a highly transient part of the authority;
- The development of a charged green waste collection;
- The bringing of clinical and fridge/freezer collection back in-house; The maintenance of refuse vehicles in-house;
- Stronger collaboration over waste services with Kent County Council.

The benefits of in-house delivery of refuse collection, recycling and street cleansing services in Thanet District Council

The in-house delivery of refuse collection, recycling and street cleansing services has now been in operation for two years. There have been a number of benefits and service improvements of the return in-house relating primarily to: performance; customer satisfaction; and efficiency.

Improved performance

The return in-house of refuse collection, recycling and street cleansing has had a direct correlation with service improvements with regard to recycling. Whilst prior to 2006, recycling figures were well under the 20% mark, this year's figures will see it rise to closer to 30% which is a significant improvement. Service improvements have been undertaken without increases in cost of delivery and with alternate week collections. Similarly, dissatisfaction levels with regard to key performance indicators have also decreased significantly since the service was brought back in-house. Dissatisfaction with regard to BVPI 199(a) has reduced from 35% to 3% in the last two years, placing Thanet in the top quartile in the country. This has been achieved through a focus upon the quality of outcomes. Delivering the refuse collection, recycling and street cleansing service in-house has also enabled Thanet District Council through the Joint Waste Partnership to be closer to the waste related targets in the Kent Local Area Agreement.

Efficiency savings

Thanet District Council has evidence that suggests that the return in-house of refuse collection, recycling and street cleansing services has led to annual efficiency saving in cost terms of at least half a million pounds. This efficiency saving has been supplemented by bringing other services in-house such as clinical waste. Thanet have also evidenced a series other Gershon cashable benefits through prudential borrowing, particularly in the roll-out of 30,000 wheely bins.

Customer satisfaction

The move of refuse collection, recycling and street cleansing services in-house has been twinned with increases in customer satisfaction ratings with quality of service and cleanliness across all waste related services.

Up-skilling opportunities

The return in-house of refuse collection and recycling services enabled Thanet District Council to drive forward training and career development opportunities for manual workers. Operators have been encouraged to train as drivers, and Thanet District Council are also working with the local environmental skills partnership.

Flexibility to develop new service activities

The delivery of refuse collection, recycling and street cleansing services in-house has enabled Thanet District Council to develop and implement a series of new service activities such as wheely bins and a charged green waste collection service.

Some of the problems of in-house delivery of refuse collection, recycling and street cleansing services in Thanet District Council

Thanet District Council were keen to stress that the return of refuse collection, recycling and street cleansing services in-house had not been without problems and there had been a couple of issues and barriers particularly with regard to staff management. This situation is however improving.

'in-house service delivery ensures a greater emphasis upon quality services rather than a focus upon making a profit.'

Conclusion: the core values of in-house service delivery

Refuse collection, recycling and street cleaning services are one of a number of street scene related services which have been brought back in-house in Thanet in recent years. Thanet District Council and the Commercial Services Directorate have recognised the value of bringing these services back in-house alongside grounds maintenance to integrate street scene services in order to avoid duplication and cross purposes. The return in-house has reaped a number of benefits including: improved performance; efficiency savings; increased customer satisfaction; and flexibility to develop new service activities. Based upon their experiences the council indicated that they felt there was one core value to in-house service delivery:

- **Quality focus rather than profit focus** – in-house service delivery ensures a greater emphasis upon quality services rather than a focus upon making a profit.

Analysis: the benefits of insourcing

The case studies in this research are from councils of varied sizes and of varied political control. In some cases, insourcing required minimal strategic decision-making and staff transfer numbers in single figures. Returns in-house in others have required vast changes in service delivery ethos, strategic governance and staff transfers in their hundreds. Some of the case studies examined have had services returned in-house for a number of years; others for a short time only.

Common benefits that have emerged can be grouped into nine core themes:

1. Performance and governance

Better performing services

All the case studies indicated that insourcing had correlated with increases in service performance. Across service areas relating to waste services, grounds maintenance and building maintenance, a return in-house has been twinned within improvement against key Best Value Performance Indicator and Local Area Agreement indicators and targets.

Closeness to targets and outcomes

Insourcing has enabled local authorities to become far closer to strategic decision-making and to local authority and central government defined targets. In-house service delivery enables authorities to deliver services that are more entwined with targets. Closeness to targets in delivery terms is particularly important with regard to Local Area Agreements and future service commissioning.

A stronger link to local policy

A key benefit of insourcing shown in the case studies is stronger links strategically between Service Directors and Heads of Service and local corporate policy such as the corporate performance. Delivering a service directly in-house enables Directors to take on both a strategic and delivery role; thus contributing directly to local policy as opposed to having a strategic role and being a manager of contracts where there is no direct control over service delivery.

Responsiveness to local and national policy

Delivering a service in-house has benefit when it comes to responding to both local and national policy agenda change. For example, in recent years there has been a strong emphasis upon localism and partnership. The ethos is that more locally delivered services and the greater emphasis placed upon partnership across sectors will lead to better outcomes. This has not only had resonance at the local authority level but also at the area-based or neighbourhood levels. Delivering services in-house, particularly traditional 'blue-collar' services enables flexibility in service activity and services to be tailored to the needs of diverse neighbourhoods.

2. Cost efficiency

Efficiency savings

Whilst it was difficult to determine the potential efficiency savings of service areas which have recently returned in-house, evidence from those authorities which in-sourced services some time ago suggests that there are key efficiency savings from bringing services back in-house. This has been particularly evident in the London Borough of Southwark where there have been savings of over £1million and Thanet, where annual savings have been around the £500,000 mark.

3. Community well-being and satisfaction

Improved service-user satisfaction

One of the core reasons for local authorities insourcing services across all areas examined was service user dissatisfaction, particularly in the services areas of waste and administrative services such as revenues and benefits. It is important however if services are brought back in-house that improved performance against delivery targets and strategic goals is matched with improved customer satisfaction. Across each of the case studies examined a return in-house had been matched with benefit in increases in customer satisfaction, most notably in the London Borough of Southwark where satisfaction with street and estate cleaning rose from 30% to 70% in four years.

4. Local economy

Enhanced local supply chains and local employment patterns

Local authority ethos is strongly focused on improving local economies and where possibly employing locally and utilising local suppliers. The private sector in comparison often utilises a wider array of suppliers in geographical terms and does not necessarily utilise the most local labour forces. A key benefit of the insourcing services as detailed in the case studies is therefore the opportunity for local employment and to address local issues such as worklessness. Employing locally as has been demonstrated in recent work by APSE with Swindon Commercial Services, is crucial to the circulation of public sector monies within the local economy.

5. Flexibility and added value

Flexibility to deliver new service activities

Under outsourced contractual arrangements, contractors will often deliver the service activities detailed in a contract and nothing further, regardless of whether new activities are required or whether there is a direct need to respond to changing policy agendas. This has been particularly evident as waste services have changed remit from just being collectors of waste towards promoting recycling. Insourcing services has given the local authorities the flexibility to respond quickly to both policy change and local need and deliver new activities or to tailor services accordingly.

It is not outsourcing vs insourcing

The purpose of this handbook has not been to say that in-house services is the only service delivery option. Instead it is about in-house delivery being an option when compared to other types of service delivery. As was detailed in the Exeter City Council case study, there are benefits to delivering aspects of a service in-house with contracts with the private sector for other aspects. Positive partnership and mixed delivery can lead to benefits in performance terms.

6. Service integration

More integrated and joined up services

The return of services in-house promotes benefit in service integration terms and also the opportunity for cross directorate partnership. Service delivery in the last 20 years has often been a mixture of in-house and outsourced service delivery. For example, whilst grounds maintenance services may be delivered in-house, street cleansing will have been outsourced to the private sector. A key benefit of bringing services back in-house is to link associated service areas to form integrated services. This has been particularly the case with grounds and street cleaning, which have been integrated to form street scene services.

7. Employment considerations

Fairer terms and conditions

The case studies have revealed a key benefit of a return to in-house service delivery is the better terms and conditions in wage and pension terms it offers for employees.

Many of the case studies examined, as a result of TUPE applying have improved terms and conditions of employees through the insourcing of the service.

New employment opportunities

As well as the transfer of staff under TUPE from the private sector to the local authority in-house team, the insourcing of services has often led to new employment opportunities and posts. This has been particularly evident in the London Borough of Southwark where the return of the estate and street cleaning service in-house has seen the workforce almost double in four years, as the service has expanded and investment in this area increased. This is a key benefit for local employment and the local economy as well as for service delivery.

Workforce development

From the case studies examined it was clear that one of the key benefits of insourcing services was the opportunity for the development of workforces, and in particular manual staff. In-house operations have offered a series of training opportunities not only related to the job but also to wider skills issues such as NVQ qualifications for numeracy and literacy. Career development opportunities have the potential to create a happier and more resilient workforce and are crucial to the current skills agenda and the productivity of local economies.

8. Quality of services

A greater emphasis upon quality

Insourcing services has benefits for service users, performance, strategy and local authorities generally in terms of the quality of service provision. Each of the case studies identified that an in-house operation is far more likely to offer quality of service provision than an outsourced contract where the emphasis can often be upon delivering the service for the cheapest cost possible and to ensure profit.

9. Sustainability

Sustainable service delivery commitments

Linked to the benefit around closeness to local policy is that of a return to in-house service delivery having benefit in sustainability and local environmental terms. As local authorities begin to develop more environmentally focused policies, it will be important that service delivery matches this commitment and in-house teams are far more likely to adhere to Green Accords and local environmental strategies.

Sustainability of Direct Service Organisations

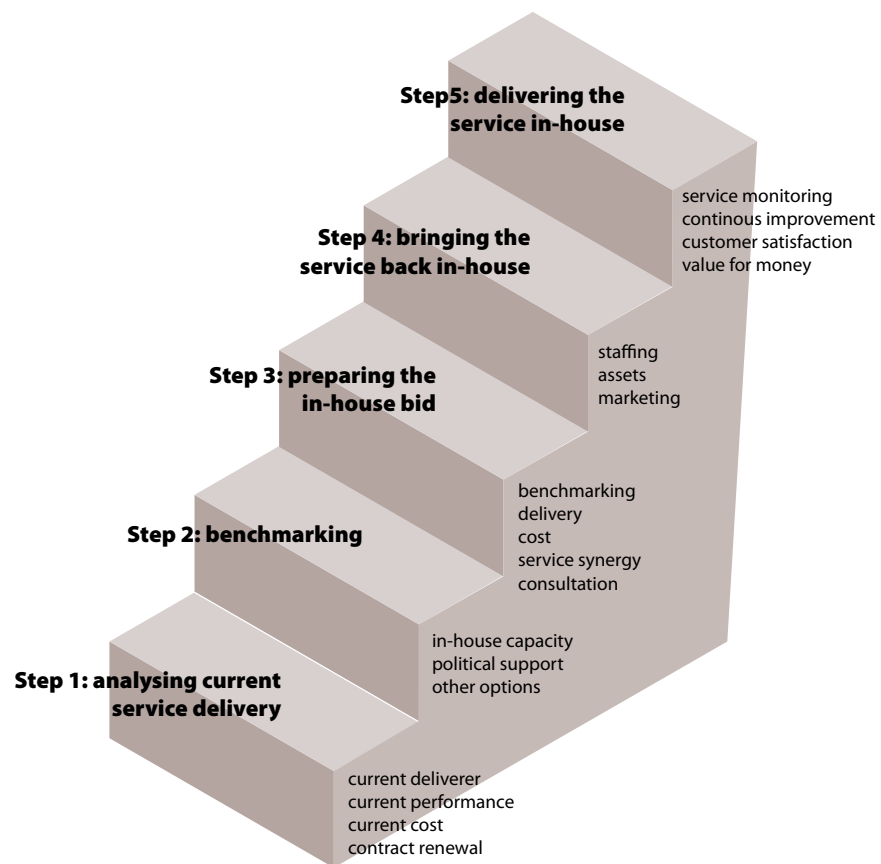
In response to the Compulsory Competitive Tendering Regime of the late 1980s and early 1990s many local authorities set up DSOs to coordinate the in-house delivery of direct services and to coordinate any outsourcing or contracting. The return of services in-house has benefit in terms of sustaining the delivery roles of DSOs.

This handbook has revealed through case study analysis that there are a number of core benefits to insourcing services. Where local authorities are evaluating procurement options for local public services it is important that they consider the issues raised above and ensure that the in-house option is developed as a viable alternative to outsourcing services. Indeed, the decision-making process will need to consider a number of key factors and milestones. The following section provides a checklist of activities local authorities and partners need to consider when deciding whether or not to bring services back in-house and the type of activities they will need to undertake to effectively bring it back.

Checklist of factors to consider when insourcing

This guide has shown that in-house service delivery is a viable and cost effective option for local authorities and that many councils, have sought to insource services following their experiences with outsourcing. Insourcing services from the private sector and from other providers is an option, especially where it can be evidenced that there will be significant benefits. There are a number of key considerations local authorities will need to address in deciding upon and implementing an in-house option. This section of the guide details a number of key questions authorities should be considering in this process. The key steps involved in bringing services back in-house are outlined in figure 4.

Figure 4: key steps and considerations in insourcing services



Step 1: Analysing the current situation

Local authorities need to analyse the current service delivery situation when embarking on the decision making process to insource services. They should be considering the following:

1. Who is delivering the service currently?
2. What service activities are being delivered and if applicable to how many service users?
3. Have there been any problems in the delivery of the service?
4. How is the service currently performing?
 - a. against key performance indicators such as Best Value Performance Indicators.

- b. against customer satisfaction ratings;
 - c. against Local Area Agreement targets and outcomes.
 - d. against local and sub-regional strategic priorities.
5. How much does it cost the authority currently to outsource the service?
 - a. How much is it costing the contractor to deliver the service currently?
 6. When is the contract due for renewal?
 - a. Is there an option for renewal with the current contractor?
 - b. How much will it cost in compensation to terminate a contract?

Step 2: Benchmarking

Best Value requires local authorities to demonstrate continuous improvement having regard to a combination of economy, efficiency and effectiveness. As part of this process there is a need to test the competitiveness of services. This can be achieved through a number of means, one of which is through 'fair and open competition'. But it can also be accomplished through a rigorous approach to performance management. Councils are not required to tender a service compulsorily or to re-tender when a contract termination has taken place. They should however be asking the following questions:

1. Will competition deliver an improved quality service? What does benchmarking and comparing service performance tell the local authority about potential future service options?
2. Is there the management structure, capacity and skills in place to prepare and deliver an in-house service?
3. Is there political and cabinet level support for delivering the service in-house?
4. What are the other potential options for delivering the service?

Step 3: Preparing the in-house bid

Once it has been decided that a service area will either be brought back in-house or subject to competition with an in-house bid, local authorities need to prepare the in-house service in terms of evidence and consultation. They need to consider:

1. The potential value of in-house delivery in performance terms. This should include benchmarking an in-house bid against other providers and against other local authorities.
2. How the service will be delivered in practical terms.
 - a. Will it be directly delivered by the local authority or through a Direct Service Organisation?
 - b. What service activities will be delivered?
 - c. How many staff will be required?
 - d. What management structure will be required?
3. The cost of delivering the service in-house.
 - a. Is the in-house bid cost efficient?
 - b. Does the in-house bid offer value for money?
 - c. Does the in-house bid potentially provide better quality services?
4. How bringing a service area in-house will synergise it with other service areas.
 - a. Will bringing the service in-house enable joined-up, integrated and ultimately more effective service delivery?
5. Through community consultation and analysis of service user satisfaction surveys the thoughts of local residents and service users on the move of a service area in-house?
6. The potential barriers to and weaknesses of bringing the service in-house

Step 4: Bringing the service back in-house

Following the completion of the competitive tendering process and upon the service being brought back in-house, the local authority will need to undertake a series of considerations before service delivery commences. They need to consider:

1. Staffing
 - a. How many staff need to be transferred from the current service provider under TUPE legislation?
 - b. What consideration needs to be made with regard to terms and conditions and particularly local authority pensions?
 - c. What skills will be required from frontline and management staff?
2. Assets
 - a. Does the return in-house require the transfer of assets from the current provider? If yes, how much will this cost?
 - b. Is capital investment required to purchase new assets?
3. Service Transfer
 - a. What infrastructure arrangements need to be in place in order to ensure a smooth transition of the service?
 - b. Is there the requirement for any change in suppliers to the service area?
4. Marketing
 - a. How are the local authority going to make service users aware of the change in service provision?
 - b. What wider marketing activity is required?

Step 5: Delivering the service in-house

Delivering a service in-house brings service delivery closer to local strategy, local policy and local targets. In order to detail the on-going value of the in-house delivery, local authorities should undertake on-going service monitoring and performance management considering:

1. The performance of the service against local and national Performance Indicators and Local Area Agreement indicators.
2. The cost and efficiency savings of delivering the service in-house.
3. The value for money considerations and impact upon service quality of delivering the service in-house.
4. The additional activities the service area has been able to deliver as a result of bringing the service in-house.
5. Levels of customer satisfaction with the service.

In addition to corporate performance management the in-house team should also monitor service delivery from the perspective of its employees through worker satisfaction activity and proffering added value career development opportunities such as training.

Conclusion

The purpose of the research was to explore the reasons why local authorities insource services and to consider the range of benefits it offers as opposed to other forms of service delivery. It has presented evidence across a range of service areas of local authorities bringing service back in-house to show the benefits of in-house services and the reasons why services have been insourced from the private sector. The examples are also cross political control and sufficiently across the English regions and devolved administrations.

Some of the local authorities approached as part of this research did not want to be engaged as a result of confidentiality agreements with private sector contractors. This was primarily evident in the authorities which had brought administrative services back in-house from Strategic Service Partnerships. However, the majority of frontline service areas approached were willing to speak about their experiences as a result of an interest in the research and to foster peer learning from their experiences.

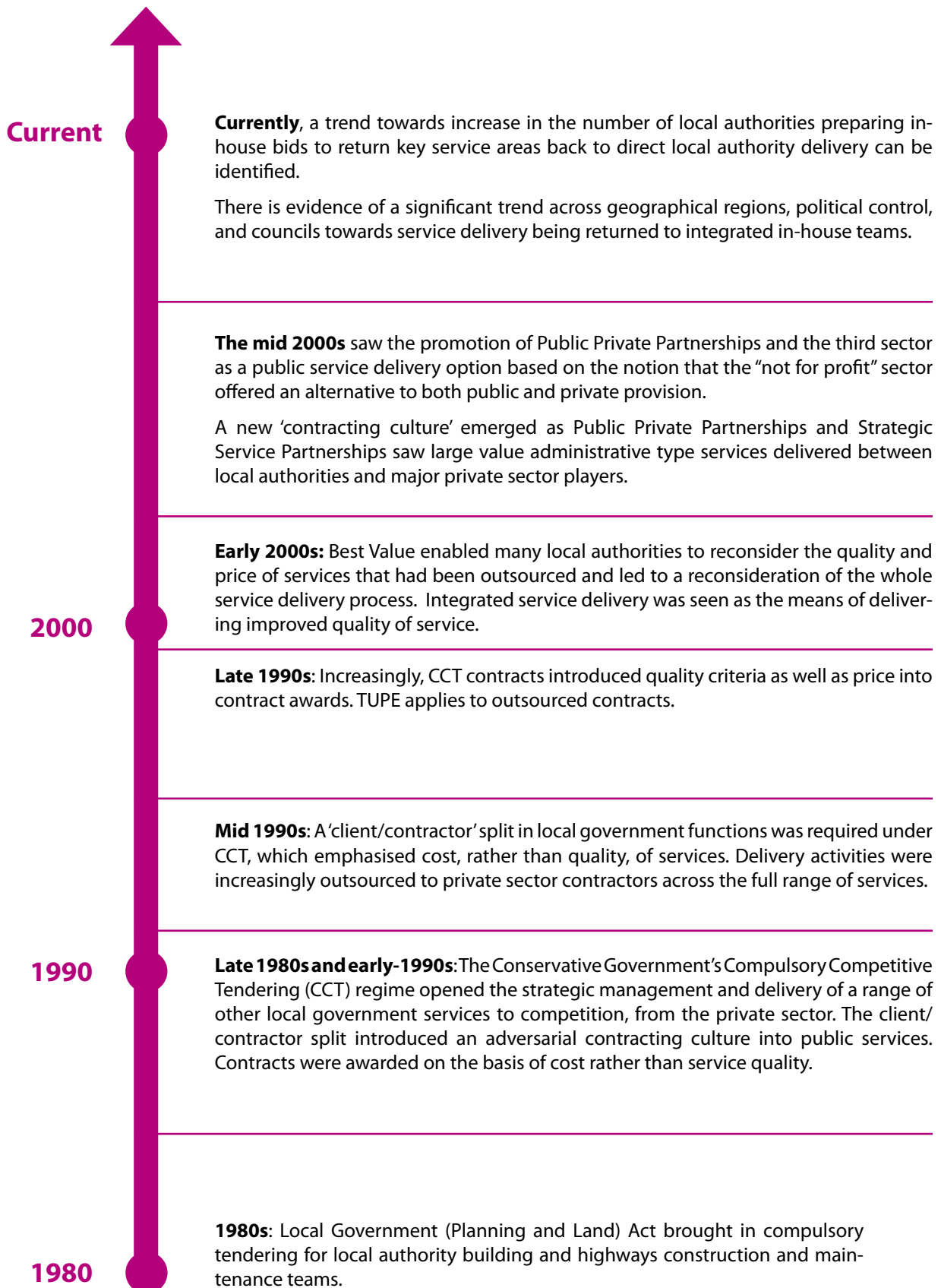
Political decision-making and the role of elected members and central government plays a key role in local policy making, local decision making, local service delivery and local performance management. One of the core reasons for insourcing services as demonstrated by a number of the case studies is to ensure effective local democratic control over services. The research demonstrates that the fundamental reason for the return in-house has been pragmatic rather than ideological and this “what works best” approach is both encouraging and shows that in-house services can deliver a range of benefits and added value to local services which is often missing in private sector provision. Reasoning has been far more focused upon performance, ensuring customer satisfaction, ensuring quality of service provision and adding value. This motivation is also important when examining the political control of the local authorities which have brought services in-house. What the research shows is that support for in-house provision is not the exclusive domain of any particular political party and has widespread support across the political spectrum for a variety of reasons identified in the report.

The public value arguments in favour of in-house service delivery has focussed on the core benefits around: improving well-being; democratic accountability; sustainable development; equalities and social justice; quality of employment and a string of others. This research has taken this thinking one step further and detailed real, evidence based benefits of returning services back in-house relating primarily to: performance and governance; cost efficiency; community well-being and satisfaction; local economy; flexibility and added value; service integration; employee well-being; quality of services; and sustainability.

This research paper forms part of wider research being undertaken by APSE on public service delivery. The purpose of this paper was to outline examples of services which were being insourced, the reasoning behind the decision, and the benefits which have been reaped since the return. What the research shows is that local authorities need to make decisions which suit local conditions and service users and which are grounded in solid evidence in terms of reasoning, costs, and potential benefits. It is worth noting that none of the authorities examined as case studies regretted the decision to bring a service back in-house.

Appendix A

Time-line



Appendix B

Methodology

The findings of this research are shaped around evidence from local authorities across a range of service areas that have successfully brought services back in-house in recent years. The research had the following objectives:

- To detail the extent to which services are being insourced
- To detail the types of services which are being insourced
- To examine the geography and political control of services which have been insourced
- To assess the core reasons why services are being insourced
- To examine a series of case studies of local authorities which have successfully insourced services and the key benefits to date of the return in-house
- To summarise the key benefits of insourcing services
- To provide advice to local authorities as to what they need to consider when insourcing services

The research involved both primary and secondary methods. To set the context, we examined literature from both academic and policy related contexts on the issue of outsourcing and in particular the value of returning services in-house and tensions that exist between in-house and outsourced models of service delivery. The literature review sought to assess the 'fit' of service delivery decision-making within the current local government policy agenda.

The review of literature has been supplemented by a detailed search of local authorities that have recently insourced services. The focus of the search has been upon finding out the type of services being brought back in-house and the core reasons why they are being insourced. Where information with regard to reasoning was not directly available, APSE undertook a short email survey with the local authority in question.

In order to provide evidence as to why services are being insourced and the benefits of in-house service delivery, we undertook strategic interviews with a number of heads of service to produce eight stand-alone case studies. The information from the case studies, along with APSE's analysis of local government policy and management, has been used to develop the checklist of considerations for councils contemplating returning services in-house.

Interviews

Interviews were completed with the relevant senior staff in following authorities and reflect the views of the councils in question rather than individuals: London Borough of Southwark; Tonbridge and Malling Borough Council; Maidstone Borough Council; Oldham Metropolitan Borough Council; Exeter City Council; Three Rivers District Council; Rother District Council; Thanet District Council and West Berkshire Council; High Peak District Council.

Emails

Email surveys were completed with the relevant senior staff in following authorities and reflect the views of the councils in question rather than individuals: Tewkesbury Borough Council; West Devon Borough Council; Bristol City Council; Mendip Council; and Medway Council.

Appendix C

Glossary of terms

APSE The Association for Public Service Excellence is a local government association with over 260 local authorities in membership which promotes excellence in local government service delivery through continuous improvement.

Best Value – The duty of best value was introduced in England and Wales as part of the Local Government Act 1999 which abolished CCT and the Local Government in Scotland Act 2003. Best Value is the duty to secure continuous improvement in all of a local authority's functions having regard to a combination of economy, efficiency and effectiveness.

BVPIs Best Value Performance Indicators are statutory performance indicators for England and Wales, now replaced by a new national indicator set for England, with separate performance regimes and indicators applying to both Wales and Scotland.

Compulsory Competitive Tendering (CCT) The CCT regime was introduced in the 1980's by the Conservative Government in the Local Government (Planning and Land) Act 1980 for local government building and highways construction and maintenance work; the Local Government Act 1988 for a range of other 'blue collar' defined activities such as refuse collection, grounds maintenance and street cleansing; and the Local Government Act 1992 for white collar activities. CCT was abolished following the introduction of the Local Government Act 1999 and the Local Government in Scotland Act 2003.

Direct Service Organisation (DSO) A term that is applied to local authority 'in-house' service providers. It was originally defined in statute under the Local Government Act 1988. A similar definition is included in the 1980 Act for 'in-house' construction and maintenance organisations which are referred to as Direct Labour Organisations (DLOs).

ENCAMS Environmental Campaigns, is an environmental charity who campaign directly to the public, best known for the Keep Britain Tidy campaign,

Gershon A review of public sector efficiency undertaken by Sir Peter Gershon which reported in March 2004 which aimed to release £20bn worth of savings in the English and Welsh public sector. A similar efficiency programme was also introduced in Scotland.

In-house The 'traditional' way of delivering services has been through in-house teams which couple strategic decision making with delivery activities. In-house delivery has either been direct through local authority departments or through Direct Service Organisations which were either stand alone contract services departments of local authorities or part of service departments such as Leisure Services or Environmental Services.

Insourcing Returning local authority services which were previously delivered through contracts with external private sector companies and voluntary sector bodies to delivery by in-house providers.

MORI Ipsos MORI is the second largest survey research organisation in the UK.

Outsourced Government policy of the late 1980s and early 1990s opened up public services to competition and brought about an increase in private sector companies tendering to deliver public services and winning contracts to do so. This outsourcing has been particularly evident in frontline services such as waste collection, street cleansing and grounds maintenance. There have been two strands to this outsourcing. The first has been to local private sector companies and the second to large national private companies who have taken full advantage of competitive tendering to deliver services in a number of local authorities.

Partnership The late 1990s and the introduction of the Best Value regime and the ethos of an emerging 'partnership culture' in both local authority decision making and service delivery saw the development of partnership models.

NVQ National Vocational Qualifications

TUPE Is the Transfer of Undertakings (Protection of Employment Regulations) 2006. The Regulations implement the requirement of the European Union Acquired Rights Directive which provides protection for employees when their employer changes as a result of the transfer of an undertaking where a company is taken over or a public service is contracted out.

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