

Secondary Data Analysis: 'Rebuilding Capacity: The Case for Insourcing Public Contracts' extracted from full paper.

APSE Survey data collected by the author in 2017 also referred to as the 'APSE Survey'

Introduction

Within the UK there is no one system that records the scale and scope of outsourcing. Data sets collated by the different UK administrations will generally record the award of contracts as a requirement under the Public Contract Regulations (2015) (UK Government) and there are further requirements on local councils to provide open information on contracts and spending such as the Local Government Transparency Code (2015). These measures have arguably enhanced the approach to openness. However as contracts are let and written at a local level these means there is wide variation in what is recorded and how this could be interpreted and examined along the size, value and services included within a contract. Recording data for the purposes of insourcing is equally problematic. Local councils have a right (indeed a duty in many cases) to provide a service and therefore the cessation of a contract arrangement and the continuation of that service in-house means that the arrangements are not recorded on a UK wide or even UK administrative basis. Whilst council decision making will be in most cases be a matter of public record, through committee reports for example, without an extensive and problematic approach to collating data through Freedom of Information requests it is not possible to assert the scale, value and scope of either outsourced or insourced contracts and services. This is perhaps an issue

worthy of future consideration in order to inform evidence based policy making in the local government sector.

Accordingly whilst acknowledging the difficulties in gauging the scope and growth of insourcing a useful indicator has been the Association for Public Service Excellence (Apse) Survey work with local councils across the UK (conducted by the author in her work capacity). This is treated for the purposes of this dissertation as a secondary data source and is considered alongside an outline data set provided from a survey conducted by UNISON, the public sector trade union in the UK.

The following forms an analysis of the 'APSE survey' conducted in 2017.

Insourcing: The 2017 Update Report

A survey was conducted in 2017 which attracted 208 respondents of which over 42% had senior management responsibility for frontline services. This was representative of the UK based on 68.63% English Councils (140 respondents) 20.10% of Scottish respondents (41 respondents) and 20 Welsh respondents representing 9.80% with 2 from Northern Ireland; there are now just 11 local councils in Northern Ireland following reorganisation in 2015. There was also 1 'other' response (British Isles /Crown dependency). There was a proportionate spread by authority type with 18.75 % from both Counties and Districts and 17.795 from English Unitaries and a further 11.54% from Metropolitan authorities and 7.21% from London Boroughs.

The following graphs illustrate the responses to the questions which were designed to explore the scale and nature of insourcing and the drivers for this amongst local councils in the UK.



Near to 73% of respondents indicated that they had, or were in the process of considering insourcing a service with 45% already having completed the process.



In terms of the propensity for insourcing by service area building maintenance (housing and non-housing repairs services) appears to be the most common area at 27.34% but followed closely by waste collection at 21.09% with parks, open spaces and grounds maintenance at 17.97% and building cleaning at 13.28%. This is perhaps reflective of the direction of travel on ALMOs (Arms-Length Management Organisation) which were rapidly established in response to Decent Homes funding under the Blair / Brown administrations. These arrangements led to the outsourcing of housing repairs and maintenance services and although these were considered to be special purpose vehicles many remained at arms-length to the local authority even after the programme works had been completed; however in recent years and due to the ongoing restrictions on council house building and investment, many are now returning ALMOs back into the local authority (Kelly 2012) which appears to have triggered a degree of increased insourcing in the building repairs and maintenance services which sit alongside housing management. Similarly with Waste Collection services the ongoing pressure on local authorities to improve recycling rates and

reduce landfill is more difficult to achieve when a contract is limited to a specified method of collection and geared towards specific recycling streams which can make contracts no longer fit for purpose (Cole, Resource Magazine 2017).

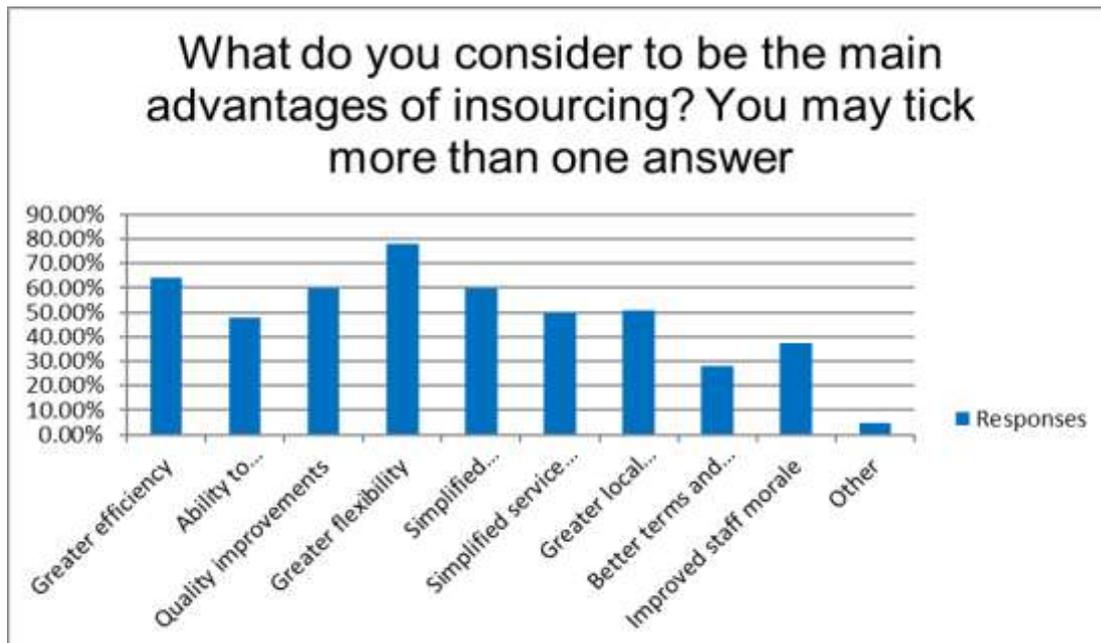


Correlating strongly to the case study interviews and roundtable events the most cited reason to insource a service was to improve efficiency and reduce service costs (61.54%). This was closely followed by a need to improve service quality (54.81%); this was again a theme which emerged from the case study interviews. Reductions on contract spend as a result of austerity (45.19%) and greater flexibility from an in-house service (43.27%) were again themes to emerge from the narrative of officers and councillors interviewed as part of the case studies and roundtable events. Interestingly contracts coming to an end in near to 40% of the cases became a reason to insource. This once more emerged in the case studies as few incidences of insourcing resulted in any form of legal action. In at least one of the detailed case studies the contractor actively sort to hand back the services on the basis that it was no longer profitable for them to continue.

Respondents were also asked to identify the advantages once a service had been insourced.

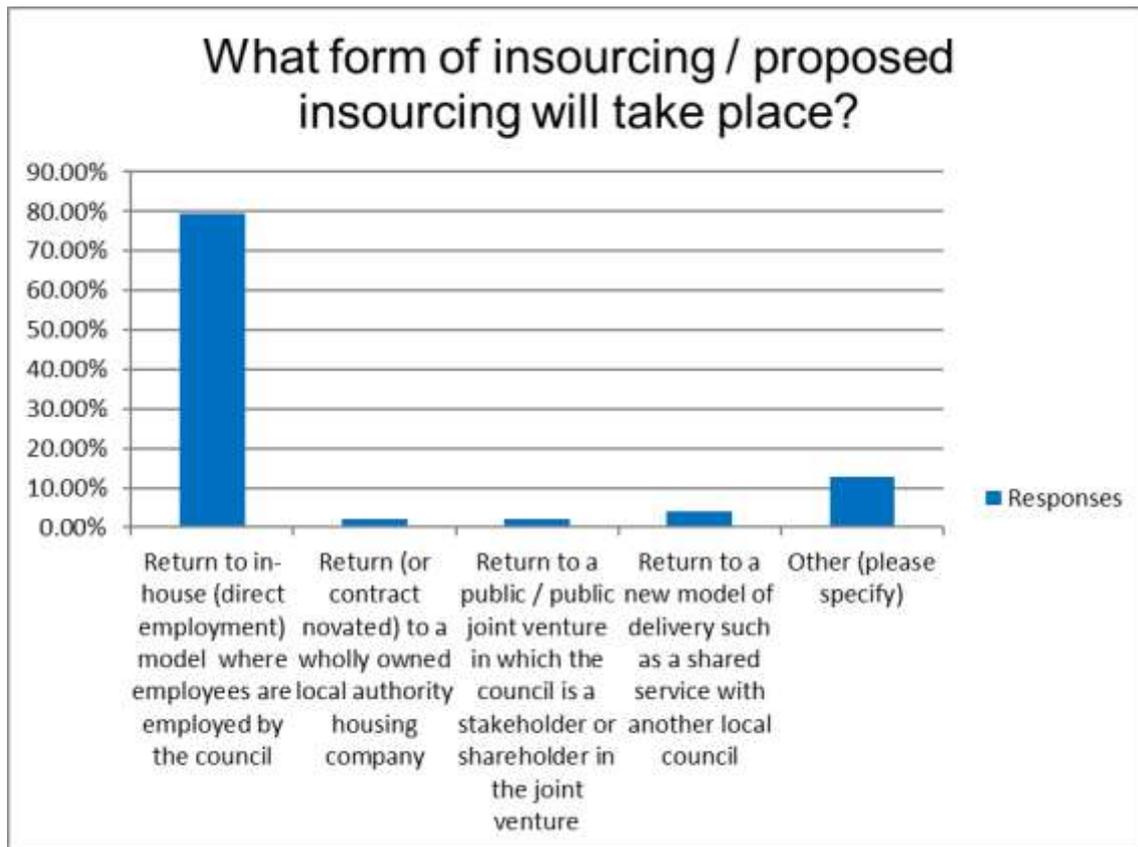
The respondent numbers for this question dropped to 104 as the survey filtered those where insourcing had not been fully completed. This time 'flexibility' was the seen as the most common advantage with 77.88% citing this reason closely followed by quality improvements and simplified management of the service both at 59.62%. One of the interesting elements of this question and its responses is that consistently in the case studies the complexity of contract management emerged; third parties having control of how a service was delivered and the inability to directly respond to problems. Managing a service directly appears to support greater discretion and the ability to prioritise services to community requirements, political priorities and even factors such as changing weather conditions.

In terms of contract size and values over 18% of contracts ranged between £1M-£4M in value with 21.15% worth over £4M. Contract values do not appear to be a key influencer in terms of a decision to insource but in terms of efficiency clearly the larger contracts offered scope for greater savings.



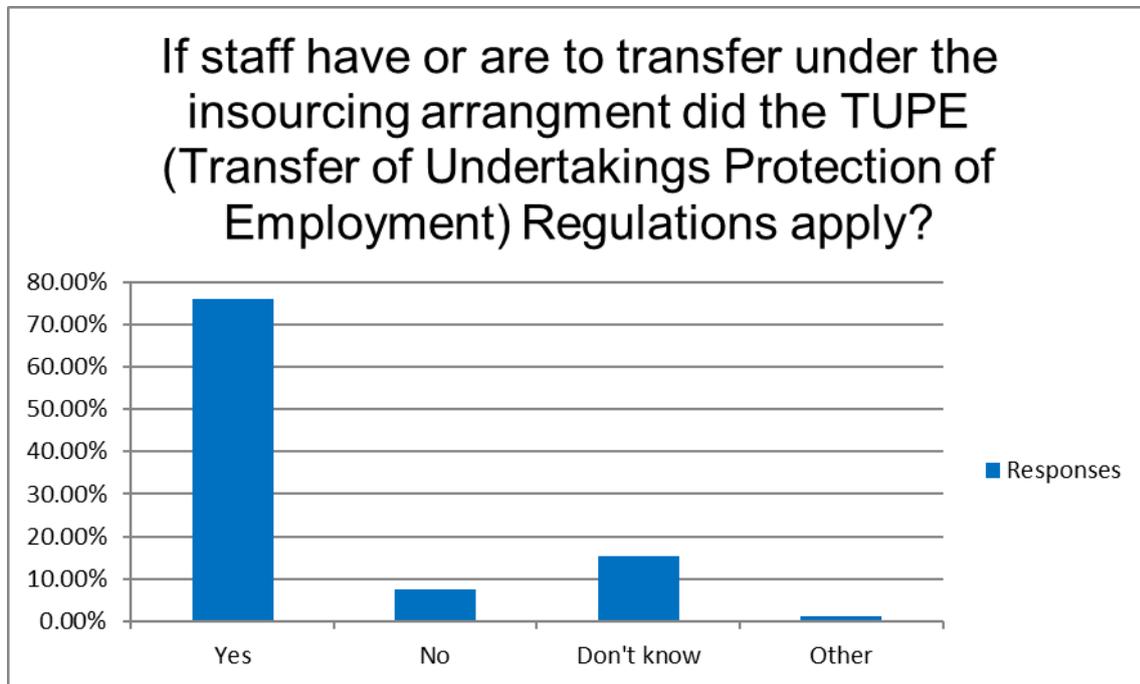
The majority of respondents (58.82%) suggested that insourcing would not increase costs and of those that expected a marginal increase up to £100,000 this represented less than 1% of respondents. 1.96% suggested costs could increase by up to £1M, We will save up to £1,000,000 per annum 4.90%. Conversely when asked about savings 4.90% suggested they would save up to £1M per annum with 2.94% suggesting that they would save up to £2M per annum.

The vast majority of respondents (79.61%) said that on insourcing a service it was returned to a traditional in-house team.

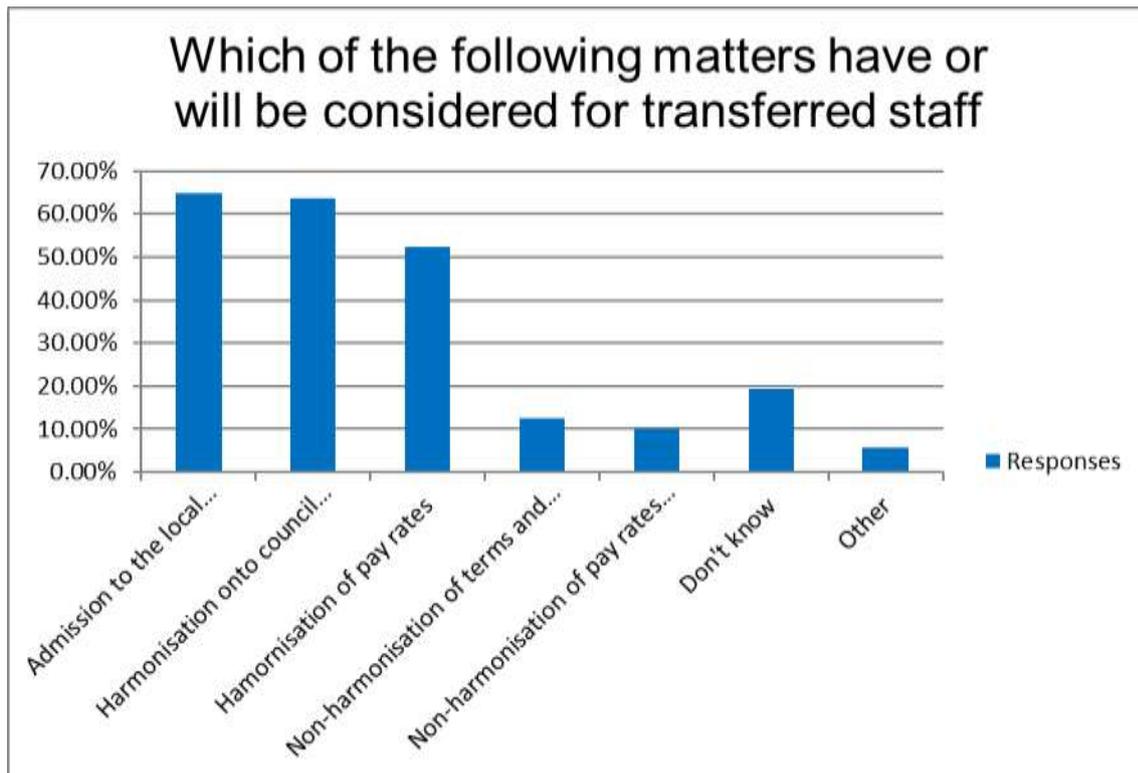


In terms of issues of capacity following an outsourced arrangement in the majority of cases staff were transferred back into the local authority (72.63%) with just 10.53% suggesting that there were no staff transfers. In terms of the arrangements for insourcing staff and not unsurprisingly given the overall figures for insourced staffing the Transfer of Undertakings Protection of Employment Regulations applied in the majority of cases with 76.09% honouring the regulations during insourcing. The numbers of staff transferring was highly variable with 9.57% suggesting that more than 250 staff were transferred to the in-house service but with wide variations of less than 10 staff (14.89%) between 10 and 20 (8.51%) between 20 and 50 (17.02%) and between 50 and 100 (9.57%). Staff transfers are of course highly variable dependent upon the nature of the contract and whilst the case studies suggest staff costs are factored into forward planning for returning a service in-house other factors, such as service efficiency and quality, remain the core considerations although it is

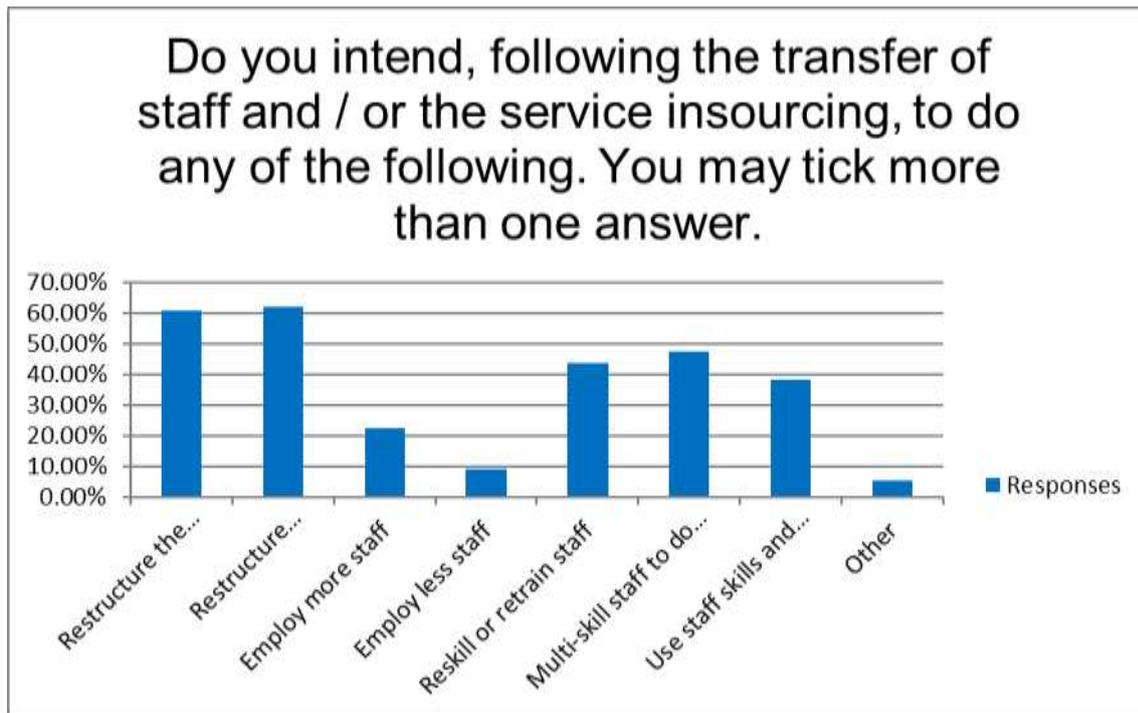
reasonable to deduce that these are in turn axiomatic on the staffing structures and efficacy of the service delivery.



Again exploring the issues of staffing matters respondents were asked to confirm which matters were considered under the insourcing arrangements and 64.77% confirmed that they had explored issues around the admission arrangements to the local government pension scheme (LGPS) and 'harmonisation' of staff terms onto council terms and conditions of service was considered by 63.64%. The issue of harmonisation featured in some of the case studies as this was an issue of integrating transferred new staff in to the council structures. However whilst the LGPS costs came through in the case studies as a reasonably significant consideration they did not appear to distract from the savings and service efficiency that could otherwise be realised from the insourcing decision.

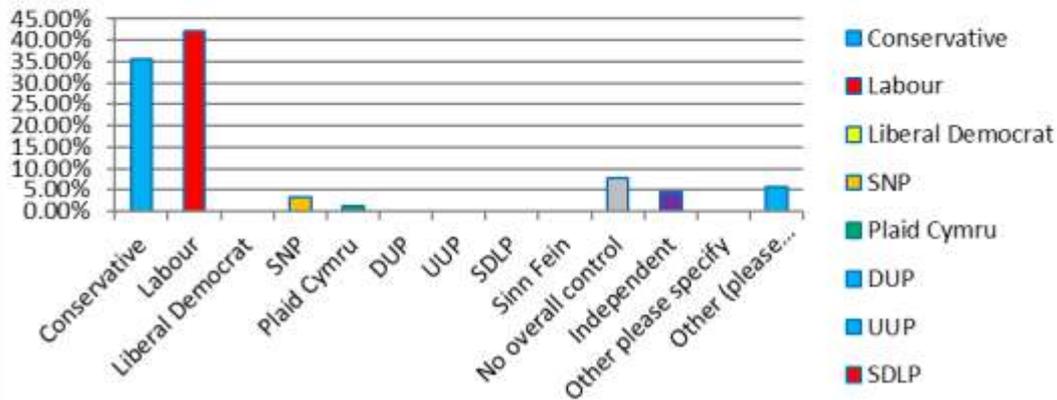


Post transfer and again correlating strongly to the findings of the case study interviews and the roundtables the majority of respondents went on to restructure the staffing compliment (60.53%) restructure management (61.84%) multi-skill staff to do jobs differently across service boundaries (47.37%) which appears to chime with the findings on greater flexibility and the deployment of resources and reskill or retrain staff (43.42%) and interestingly 22.37% employed more staff post insourcing. Without further data drilling it is not possible to assert additional staff are directly a result of under-resourcing by contractors but that has been a theme to emerge from the case studies and roundtables (staffing to minimum structures).



Based on the respondent numbers and authority types within the UK administrations there is not a huge difference between the volume of insourcing between the two main political parties with 35.56% of insourcing authorities under Conservative control at the point of insourcing and 42.22% under Labour control. Perhaps this is reflective of austerity budgeting on local councils with all parties at a local level feeling the increasing pressure of financial constraints. Again the case study interviews and roundtables did not deliver a politicised verdict on insourcing. Indeed there was a surprising uniformity of opinion amongst all political party representatives; insourcing for efficiency was a driver as too was the ability to leverage resources where most needed.

How would you describe the political control of your authority at the point of the service being insourced or the decision made to insource a service?



References made within the data analysis

Local government transparency code 2015

<https://www.gov.uk/government/publications/local-government-transparency-code-2015>

The Public Contracts Regulations 2015

<http://www.legislation.gov.uk/uksi/2015/102/contents/made>

Expert round up: the future of Almos Liam Kelly for the Guardian 21 12 2012

<https://www.theguardian.com/housing-network/2012/dec/01/top-tips-almos-future>

Contact: Mo Baines mbaines@apse.org.uk

Tel 0161 772 1810