



# The case for Insourcing

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## Local Government Act 1988

### 1988 CHAPTER 9

An Act to secure that local and other public authorities undertake certain activities only if they can do so competitively; to regulate certain functions of local and other public authorities in connection with public supply or works contracts; to authorise and regulate the provision of financial assistance by local authorities for certain housing purposes; to prohibit the promotion of homosexuality by local authorities; to make provision about local authorities' publicity, local government administration, the powers of auditors, land held by public bodies, direct labour organisations, arrangements under the Employment and Training Act 1973, the Commission for Local Authority Accounts in Scotland, the auditing of accounts of local authorities in Scotland, and dog registration, dog licences and stray dogs; and for connected purposes.

[24th March 1988]

Be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

# Post Carillion



# Insourcing survey of local councils



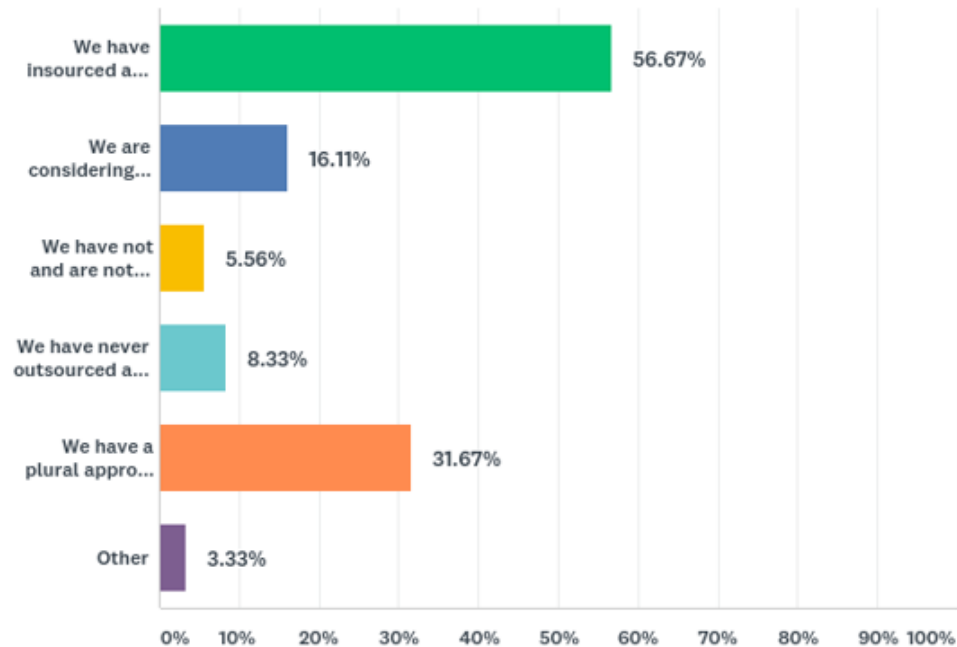
- Senior manager responses near to **70%** of 211 Respondents
- Geographic spread across the UK
- Prevalence across different types of authorities: Counties circa **18%** Districts circa **18%** Unitary Authorities circa **18%**

# Have you or are you considering Insourcing:



Circa 73% have or are considering insourcing

Q4 About your service delivery plan. Have you or are you considering insourcing a service?



# Service / contract types?



## The Top Four

Building maintenance (housing and non-housing) **27.34%**

Waste collection **21.09%**

Parks, open spaces and grounds maintenance **17.97%**

Building cleaning **13.28%**

## The Middle Ground

Housing (management such as insourcing an ALMO) **10.16 %**

Transport, fleet and vehicle maintenance services **10.94%**

Highways and / or Winter Maintenance **10.94%**

Street cleansing/ school meals **9.38%**

## The Bottom Four

Tourism **1.56%**

Economic development **3.13%**

Policy or performance unit **3.13%**

Community safety **3.91%**

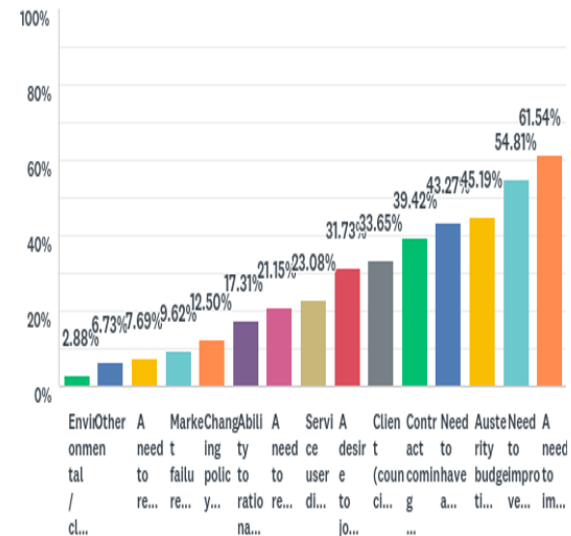
Trading standards/ Planning/Art Galleries/ Enforcement **4.69%**

# Main reasons to insource



- A need to improve efficiency and reduce service costs **61.54%**
- Need to improve service quality **54.81%**
- Austerity budgeting / need to reduce spend on external contracts **45.19%**
- Need to have a more flexible service **43.27%**

Q6 Please tell us from the list below what were / are the main reasons for insourcing the service(s). You may tick more than one answer

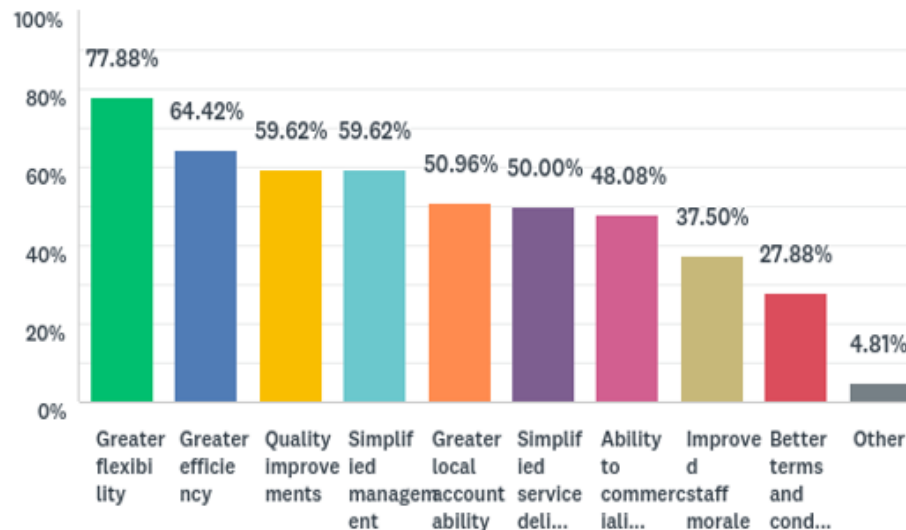


**Service user dissatisfaction with an external contract**  
**23.08%**

# Advantages of insourcing



Q7 What do you consider to be the main advantages of insourcing? You may tick more than one answer



**77.8%** cite Greater Flexibility and **64.4%** cite Efficiency **59.62%** cite Quality



# Budget value?



- Around **30%** of respondents cited budgets in excess of **£4 million**
- A further **8%** for services with budgets above **£3 million**
- Then **12%** above **£1 million**
- And around a third **29.33%** £250k to £1 million

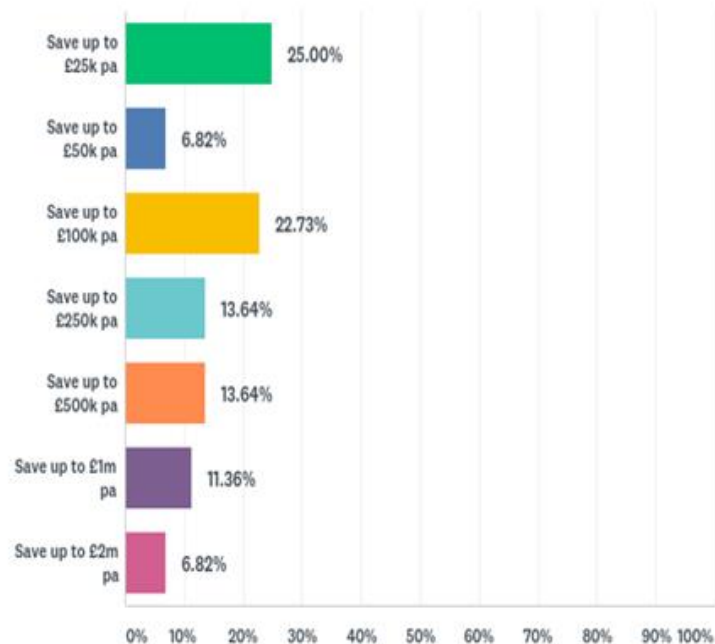
Size does not matter..... it appears. The advantages of insourcing manifest regardless of size..

# Other key findings..



- 84.5% say there will be no cost increase
- 86% anticipate savings of up to 2M (range of £25 K to £2m)
- 79% of respondents will return to a direct employment in-house model
- 79% will utilise TUPE and transfer staff back-in

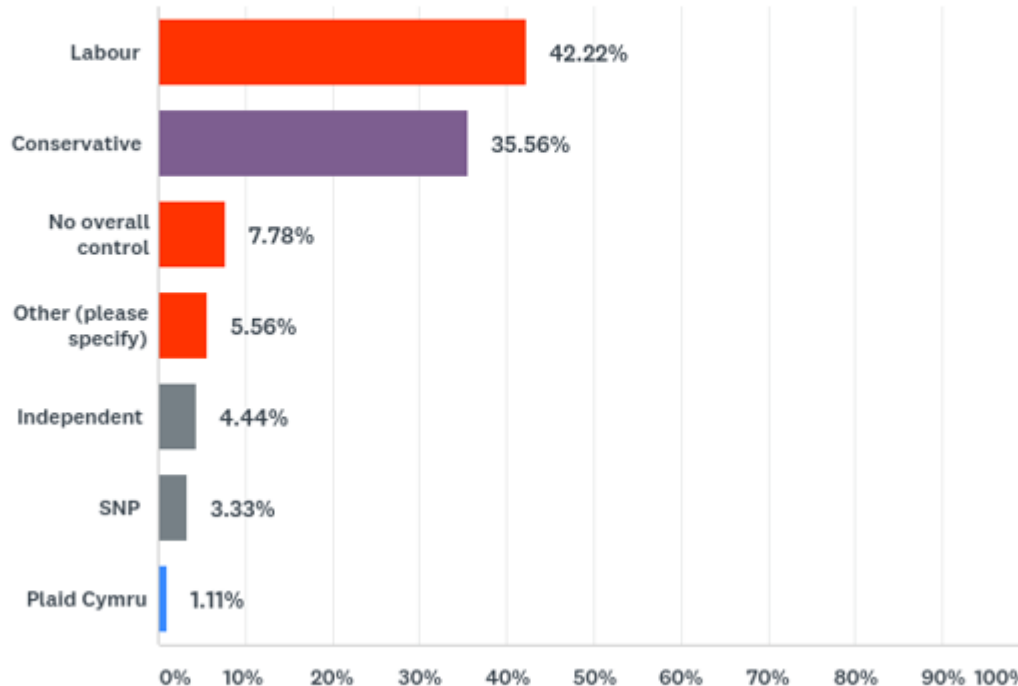
Q10 Do you anticipate saving money or generating efficiencies through insourcing? If so by how much PER ANNUM. Please tick one answer



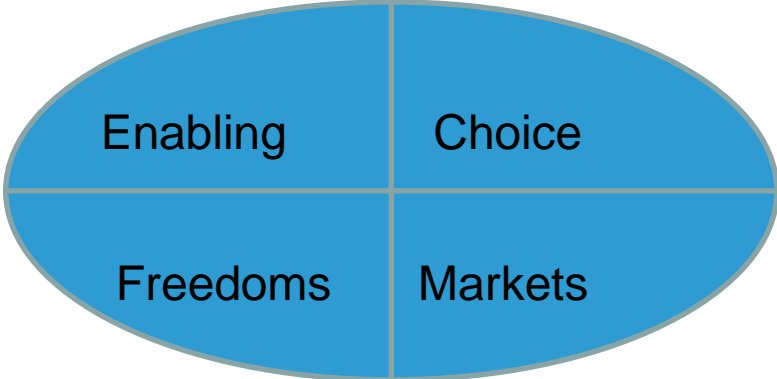
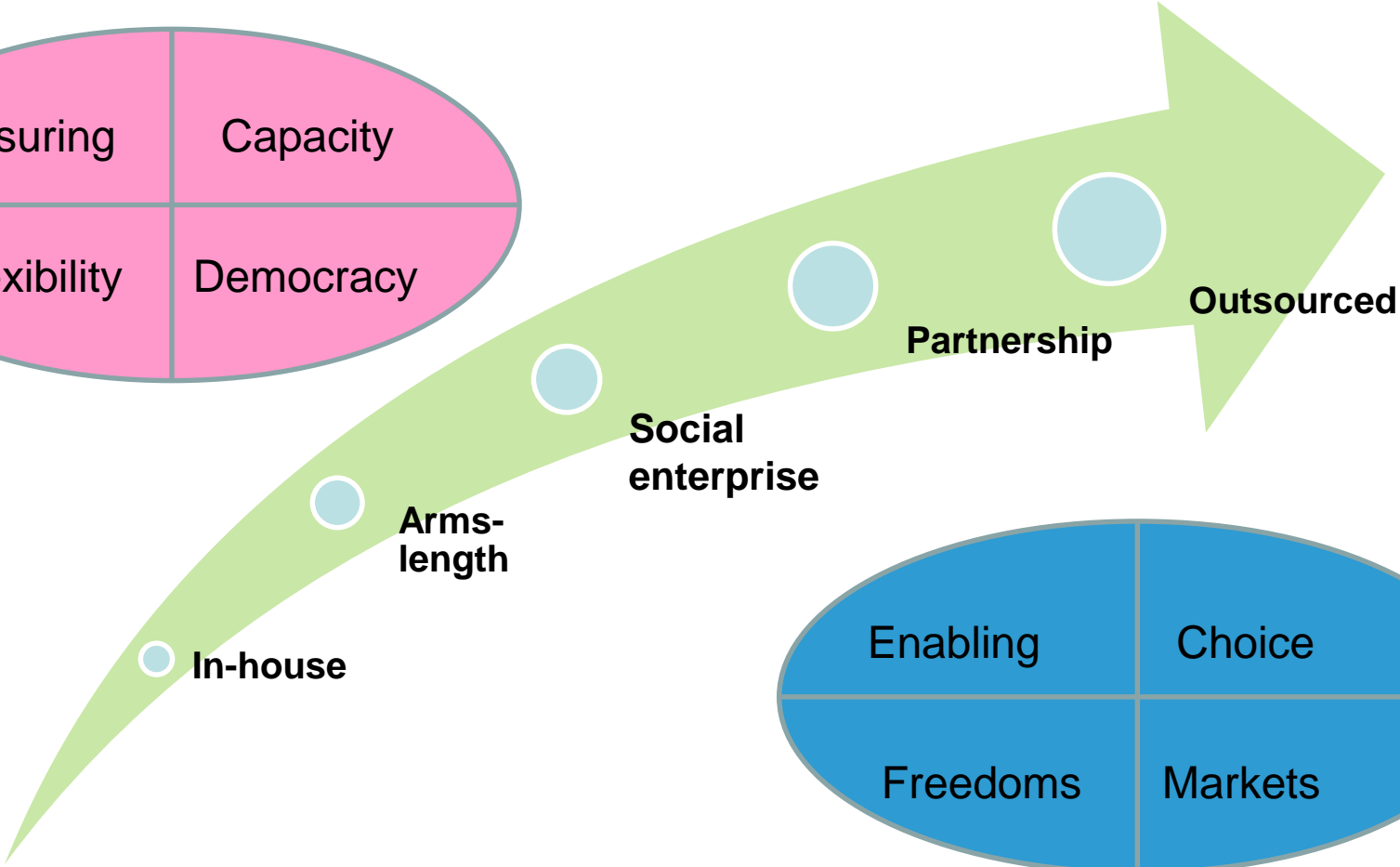
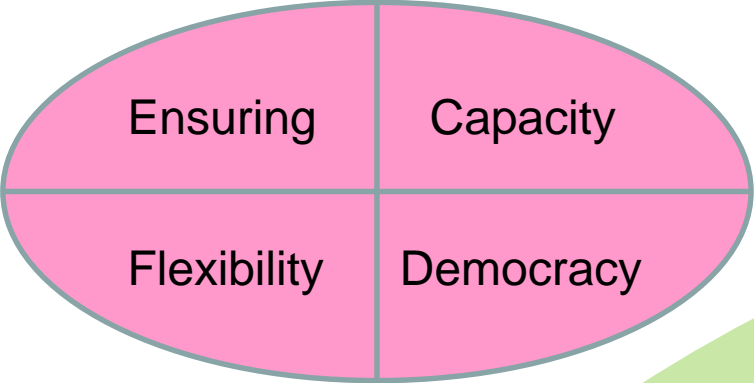
# By political party



Q17 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?



# Where does service delivery fit with public service values?



# In-House V Other Models



## In-House

- ✓ You have a right to provide
- ✓ You do not need to go out to any procurement exercise
- ✓ You determine supplier spend (and within reason where)
- ✓ Organise your structures to meet local needs
- ✓ Prevent leakage in the local economy
- ✓ Safeguard fair wages / pensions

## Outsourced to private company or Social Enterprise / Coop or MBO model

- × Contract award
- × Reinforces the client / contractor split
- × Insolvency / contractor viability
- × Capital for assets and investments - how will it be raised?
- × Issues of Incorporation

## Teckal or Wholly Owned company (WOC)?

- Award of work 'as of right' but some circumstances will need a procurement exercise
- Counts for borrowing for accountancy purposes
- What about the council core?
- TUPE/ Pensions
- What can you do that you could not do as the council?

# Insourcing following insolvency



- Step-in clauses
- Contract novation
- EU Procurement Rules?
- Two stage approach

# How can insourcing support our local economies and build wealth at a Community level?



- Procurement spend? Supporting local suppliers
- Local employment – ending bargain basement contracting – jobs, skills, training, pay inequality
- De-carbonising / greening services
- Flexibility –when resources are limited you decide!
- Efficiency: Scale, offering services to other councils, spread of CEC
- De-risks service delivery
- Market Interventions - through commercial strategies
- Service Integration – Health, Housing, Social Care

# Are Mutuals and ESOPs the same as Insourcing?



***We should not confuse democratic accountability with organisationally accountable models.....***





**Be a case study....  
Report due in the spring...**





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