

Report for: Cabinet, October 8th 2019

Title: Insourcing Policy Statement

Report authorised by : Stephen McDonnell, Director of Environment and Neighbourhoods

Lead Officer: **Barry Phelps**
barry.phelps@haringey.gov.uk
0208 489 2744

Jean Taylor
Jean.Taylor@haringey.gov.uk
0208 489 1383

Ward(s) affected: All

**Report for Key/
Non Key Decision:** Key Decision

1. Describe the issue under consideration

- 1.1. This report sets out the rationale, purpose, and scope of an Insourcing Policy for the Council, attached at Appendix 1. The new Insourcing Policy marks a significant shift away from the Council's previous approach, and identifies a new policy where insourcing is the default preference.
- 1.2. The Insourcing Policy also commits to a strategic review of all commissioned services when contracts come up for renewal; efficient management and a frank review of the workings of all externally commissioned services and the development of a framework and implementation plan for in-house delivery of services over the longer term.
- 1.3. The Council's commitment to insourcing is grounded in a belief in public services, in public ownership and control, and that in taking responsibility for direct service delivery outcomes for residents can be improved by:
 - making it easier for the Council to work collaboratively with communities in the design and delivery of public services which reflect what they need, recognising that service delivery is a core element of our relationship with residents;
 - strengthening the Council's organisational sustainability and resilience, by further developing the skills and knowledge of the Council's workforce, organisational capacity and infrastructure;

- increasing the numbers of locally employed people who will benefit from the excellent terms and conditions the Council offers as an employer;
 - opening services to increased scrutiny and accountability to drive improved outcomes; and
 - squeezing the maximum financial and social value from each pound spent.
- 1.4. It is important to note the Council already has a strong baseline in delivering services in-house that are commonly outsourced by other comparable local authorities, such as parking enforcement. The Council has also made significant progress in the last year in bringing services back in-house, enabling service improvements and financial savings:
- Cabinet agreed in July 2019 that the Council would bring the facilities management function back in house to be delivered by a combination of the Council and Homes for Haringey
 - The CCTV operations were brought back in house in August 2018
 - 27 new jobs have been created in Children’s Services as part of “invest to save” proposals, including proposals designed to increase in the number of in-house, rather than agency, foster carers, and investment in a team to operate the Pause model in Haringey, which will work with women who have experienced, or are at risk of, repeated pregnancies that result in children needing to be removed from their care.
 - School HR services are being redesigned and retained in house ICT are developing in-house capacity instead of outsourcing a £2m network contract
- 1.5. The Council’s approach to commissioning has at its heart principles that ensure a focus on delivering the best possible services and outcomes for residents, grounded in understanding residents’ needs.
- 1.6. The introduction of the Insourcing Policy places a greater emphasis on how services are delivered and notably on developing in-house delivery as the default preferred option. This will require some amendments to the commissioning framework.
- 1.7. This policy includes an immediate commitment to a structured programme of work to support sustained progress on this agenda, building on work to date. The Council recognises that this will significantly change the shape and size of the organisation and require changes to its infrastructure and organisational capacity which may take some time to deliver in full. In many areas, a phased approach may be required which builds the skills and capability of in-house staff before moving comprehensively to new models of delivery.
- 1.8. As part of this work, an implementation plan for insourcing will be produced by March 2020 which will set out further detail on the Council’s approach to bringing services back in-house, how the Council will make individual decisions about insourcing particular services, and will set out how we will deliver the resource and infrastructure needed to support this programme of work.

1.9. The Insourcing Policy supports the Council's Community Wealth Building approach to economic development by enabling the Council to keep wealth in the local community, keep public assets in public ownership, offer quality employment opportunities that are accessible to local residents, and create social wealth and enhance community activity. As such, the Insourcing Policy links to other forthcoming Council strategies that support the Community Wealth Building approach, notably the Procurement Strategy, Asset Management Plan, Housing Strategy, Community Buildings Strategy, Workforce Strategy, and Economic Development Strategy.

2. Cabinet Member Introduction

2.1 The Council's commitment to insourcing is grounded in a belief that all public spending should firstly deliver a public benefit, and that every council's plan for the delivery of services on behalf of their residents should seek to maximise every pound spent on the delivery of the service itself.

2.2 Consequently, this Insourcing Policy signals a significant change of direction for Haringey Council. The Council should no longer be perceived as a Commissioning Council, but a municipality committed to finding ways to directly deliver services to residents.

2.3 In doing this, our administration is moving to reverse at a local level the almost forty year national trend towards outsourcing, which has resulted from not just the 'opening up' of public services to the market, but also a legislative regime that has made in-house provision of local services more difficult. This policy has caused a range of harms: it has unfairly meant that local councils have lost control over some local services whilst retaining ultimate responsibility for their quality and delivery; it has eroded worker protections and the power and mutual support of organised labour; and the artificially low costing of outsourced projects has meant that the public sector and society more widely have been left footing the bill.

2.4 Introducing a preference for insourcing supports my administration's goals to improve local services for local people, maximise the community benefit we achieve with our budget, increase quality job opportunities and good working conditions for residents, and secure democratic accountability of public services.

2.5 In Haringey we have a strong starting point: we have retained in-house many services which have been outsourced elsewhere and have already made good progress in bringing more services in-house. The introduction of this policy signals our commitment to build on this work.

2.6 This Policy will commit the Council to a strategic review of all externally commissioned services as their contracts come up for renewal. This will assess

the efficient management and workings of all externally commissioned services and anticipate opportunities to bring services back in-house, in a way that focusses on what is most important to us, and sustainably increases the capacity of the Council.

- 2.7 I firmly believe that the Insourcing Policy will have a significant and positive impact on our Council, on local services, and on Haringey's economic development.

3. Recommendations

It is recommended that Cabinet:

1. Notes progress made to date in relation to insourcing services that could otherwise be delivered by commercial providers;
2. Approves the Insourcing Policy, as set out in Appendix 1;
3. Approves the development of an implementation plan and the commencement of work to build the capacity of the organisation to insource services;
4. Notes links with the Council's Community Wealth Building approach and the forthcoming Economic Development Strategy.

4. Reasons for decision

- 4.1. The trend among local authorities towards insourcing is driven by several factors, including:

- Financial pressures, noting that insourcing and direct delivery may be more cost efficient and provide better value for money
- Risk management, noting the collapse of Carillion and the need to insulate critical services from commercial failure
- Public expectations, noting that insourced services have achieved higher degrees of user satisfaction than the previously outsourced services

- 4.2. In addition, the following potential benefits of bringing services in-house have contributed to the case for insourced services:

- Better quality services, compared to under-performing outsourced services;
- Value for money and flexibility whereby councils, by virtue of having direct control of services, are better able to respond to changing needs;
- More strategic, holistic delivery of local public services as part of integrated delivery models, made possible by insourcing of services;
- Contribution to local economy, whereby insourcing can result in stronger local supply chains and enhanced local employment;
- Sustainability, whereby direct control can enable service delivery to reflect environmental considerations and sustainability commitments

- 4.3. It is important to note that these benefits can only be realised, and the Council's objectives met, when insourcing is done well. The challenge for Haringey, and all local authorities, is not just to make the right individual decisions about insourcing specific services, but also to set the parameters for determining what is practically feasible in terms of insourcing, taking into account capability, capacity, and financial implications relating to the transition to insourced services.
- 4.4. The proposal to approve the Insourcing Policy is being made in order to signal a clear step-change in the Council's service delivery policy. Having a clear policy will ensure that decisions about whether to insource services are taken in ways which maximise the chances of success.
- 4.5. It also makes a commitment to a structured programme of work to support sustained progress on this agenda, building on work to date. As part of this work, an implementation plan for insourcing will be agreed by Cabinet by March 2020 which will set out further detail on how the Council will adopt a strategic approach to bringing services back in-house, make individual decisions about insourcing services using an updated commissioning framework, and develop the resource and infrastructure needed to support this programme of work.
- 4.6. The policy recognises that the desire to insource services underpins the political priorities of this administration and remains the Council's preferred model of service delivery. However, the Council must make decisions on a sustainable and legal basis. Where the council looks at proposals of how to deliver any service going forward, the quality of that delivered service and the social and financial value for money must be considered. Furthermore, proposals must be subject to assessment as part of our commissioning processes.
- 4.7. Decision options will include direct delivery by the Council, working with other public sector organisations, extension of current contracts, commissioning of alternative third-party providers shared services, working with community and voluntary sector organisations, or a hybrid model whereby various aspects of a service are delivered by different providers that may be in-house or external. Decisions may also be taken to insource services at a later date, subject to development of sufficient organisational capability and/or capacity.

5. Alternative options considered

5.1 Do Nothing

The Council could not adopt an Insourcing Policy. This would mean that either a) no decisions to insource would be made, or b) such decisions would be made in an ad hoc manner with insufficient consideration for the criteria for successful transition to in-house delivery noted at para 4.6. This option would either a) not deliver the administration's manifesto commitment, or b) would result in an unsustainable degree of legal and financial risk to the Council. On this basis the option to not adopt an Insourcing Policy has been rejected.

6. Background information

- 6.1. The Council administration's 2018 local election manifesto vision describes a '*...preference is for in-house services over outsourcing – services from social*

care to street cleaning, where this doesn't diminish quality and is financially prudent.'

- 6.2. The manifesto also undertakes to 'review all of our commissioned services to see whether savings can be made if we deliver the service ourselves.'
- 6.3. Haringey has already made progress to bring certain services in-house where it has been possible or necessary to do so in order to maintain service quality and value for money, as noted at para 1.5.

7. Contribution to strategic outcomes

- 7.1 The proposal supports the delivery of first Economy priority outcome of the Borough Plan, "A growing economy and thriving local businesses, supported by a community wealth-building approach" and its first objective to "maximise the benefits of Council, other public sector funding and private investment for the local area." The Insourcing Policy is included as a deliverable for the Economy priority in the Borough Plan Delivery Plan 2019/20, approved by Cabinet in July 2019.
- 7.2 The proposal also supports the delivery of the Your Council priority outcome to "be a council that uses its resources in a sustainable way to prioritise the needs of the most vulnerable residents" and its objective to "deliver value for money by acting creatively and innovatively to design and deliver services that are good value for residents and taxpayers." The Insourcing Policy is included as a deliverable for the Your Council priority in the Borough Plan Delivery Plan 2019/20, approved by Cabinet in July 2019.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance

- 8.1. This report seeks Cabinet approval for the Insourcing Policy detailed in Appendix 1.
- 8.2 The cost of developing this policy will have been contained within existing budgets.
- 8.3. Future projects that arise from the implementation of this policy will require individual consideration and will be supported by a financial assessment to assist in establishing affordability; and best value and will follow the normal governance process.

Strategic Procurement

- 8.3. Strategic Procurement fully supports the adoption of an Insourcing Policy as outlined in the report and Appendix 1.
- 8.4. The Insourcing Policy is a primary consideration both in the Procurement Strategy and builds upon the key themes of Community Wealth Building and delivering value for money. Whilst it could be conceived a Procurement

Strategy and an Insourcing Policy can be 'at odds with one another', Strategic Procurement believe they can complement one another in ultimately delivering common goals (i.e. local services delivered by local people, value for money, community wealth and social value etc.).

- 8.5. The Council's Commissioning framework is key to ensuring we fully consider the best value delivery options for our services. Updating the Commissioning framework to ensure we apply a consistent approach to assessing service delivery options, will be paramount to identifying insourcing opportunities.
- 8.6. Strategic Procurement already undertake a challenge review of contracts in excess of £160,000; however, the adoption of this Insourcing Policy provides a more robust framework for assessing the suitability of these contracts being delivered directly by the Council.

Legal

- 8.7 The Assistant Director of Corporate Governance has been consulted in the preparation of this report and the Insourcing Policy.
- 8.8 The Assistant Director of Corporate Governance confirms there are no legal implications at this stage. If the Insourcing Policy is approved by Cabinet legal advice should be obtained on a project by project basis.
- 8.9 The Assistant Director of Corporate Governance sees no legal reasons preventing Cabinet from approving the recommendations in the report.

Equality

- 8.10 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
 - Advance equality of opportunity between people who share those protected characteristics and people who do not
 - Foster good relations between people who share those characteristics and people who do not.
- 8.11 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 8.12 The decision is to approve an Insourcing Policy for the Council. The Policy provides a framework for decision-making regarding who provides services for Haringey residents. Equalities considerations in this instance relate to the providers of services and the recipients, meaning Haringey residents.

- 8.13 Looking at the demographic profile of the working-age population in Haringey, it is notable that a high proportion of frontline staff are likely to be from BAME communities regardless of whether they are employed by the Council or another service provider. One of the main aims of the Insourcing Policy is to, by bringing more services back in-house, ensure that more local people benefit from the excellent terms and conditions offered as part of employment by the council, and given the profile of frontline service workforce, there is a potential disproportionately positive impact on BAME staff.
- 8.14 It is likely that there will be a high proportion of individuals with protected characteristics among the recipients of any given service due to the nature of local authority services. The Insourcing Policy maintains a commitment to service quality so that no service users experience a preventable deterioration in the service they receive. Moreover, it is the Council's ambition to improve service quality and thereby help to advance equality of opportunity for residents with protected characteristics by better meeting their needs where these are different to the needs of others.
- 8.15 Screening for equality impacts will be undertaken as and when individual proposals to change delivery models are developed. If appropriate, detailed equality impact assessments will be completed for individual proposals.

9. Use of Appendices

Appendix A: Insourcing Policy

10. Local Government (Access to Information) Act 1985

Borough Plan Delivery Plan 2019/20, approved by Cabinet in July 2019

http://www.minutes.haringey.gov.uk/documents/s110229/Cabinet%20Report%20Borough%20Plan%20delivery%20plans%20-%20July%202019%20FINAL_18.24.pdf