

Report for: Cabinet, March 10th, 2020

Title: Insourcing Action Plan

Report authorised by: Richard Grice, Director of Customers, Transformation and Resources

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Ward(s) affected: All

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

1. Describe the issue under consideration

1.1. In October 2019 the Council approved and adopted an Insourcing Policy. The Cabinet decision report made a commitment to producing a further paper by March 2020 setting out details on the Council's approach to bringing services back in-house, how the Council will make individual decisions about insourcing particular services, and how we will deliver the resource and infrastructure needed to support this programme of work.

1.2. This report sets out:

- Progress to date on insourcing initiatives;
- The approach to insourcing services;
- The decision making in relation to a service delivery model;
- The resourcing strategy for supporting insourcing initiatives.

1.3. The Insourcing Policy includes an immediate commitment to a structured approach 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.

- 1.4. There is currently around 25 insource reviews and initiatives in progress across the Council, with several key strategic reviews scheduled over the next 12 months.
- 1.5. Facilities management (FM) is one of the largest services being brought back in house from 1st April 2020, with over 90 personnel being TUPE'd across from the current provider. Hard and soft FM services will be delivered directly through the Council, with Homes for Haringey delivering the hard FM services.
- 1.6. To ensure the efficient transfer of all FM services, Homes for Haringey's remit has been refocused to operational delivery of all 'hard services' such as engineering and the electrical and mechanical maintenance of buildings. In an amendment to the original Cabinet report from July 2019, cleaning, as a 'soft service', will now be brought in-house to the Council in alignment with similar functions to be managed by the Environment and Neighbourhoods directorate.
- 1.7. There are some services that need to remain with 3rd party organisations, such as advocacy services, as they need to be independent. In these circumstances, the Council will try and contract with local Voluntary Sector Organisations where possible.
- 1.8. 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 and community enforcement, parks services, CCTV monitoring, pest control, revenue and benefits, jobs brokerage, and customer contact centres.
- 1.9. An Enabling Framework will be adopted to provide a structured approach in providing evidenced based information that informs the decision-making process.
- 1.10. Decisions as to whether to bring services in-house will be made within our existing constitutional framework, in accordance to the scale and nature of the services under consideration.
- 1.11. The intention will be for decisions to be made on the service delivery model ahead of commencing any strategic procurement exercise, whereby a 3rd party is required to deliver some or all of the services.

2. Cabinet Member Introduction

- 2.1 The mass outsourcing of council services was a historic mistake. Over the last few decades the bulk of everyday local services – the weekly bin collection, the upkeep of roads, even the maintenance of council buildings themselves – were handed to for-profit companies to run. And the results have not been pretty.
- 2.2 On the whole, the quality of services has fallen while the amount we pay for them has gone up. Our workers have seen their pay, conditions and job security worsen while the council has seen what little spending power it still has leak out of the borough.
- 2.3 A number of the firms that now run our services are based outside of Haringey, or even outside of London. Many of the workers are based elsewhere too – and that means fewer pay packets spent in our shops and businesses.
- 2.4 What's more, we've given up an enormous opportunity to *create opportunities*. When we run a local service ourselves, we can make sure that there are apprenticeships and jobs for local people to apply for. That helps to improve life chances in the borough. There is no guarantee that contracted-out services will create these opportunities. Their incentives are to prioritise short-term profit rather than long-term social value.
- 2.5 That's why we introduced an Insourcing Policy in the autumn, making clear that services will be brought back in-house unless there is a very good reason not to. We have already moved to bring in our facilities management, highways engineering and some care services. A total of 25 contracts are currently in the process of being insourced.
- 2.6 Now, we are launching this Insourcing Action Plan so that we can go further. We need to build up the council again, expanding and training-up our staff to take over from contractors. In some cases, works may be so small or so specialised that it does not make sense for the council to take them on – but we are very clear, in-house provision is our default position. We need to restore democratic oversight to local services and we need to start to rebuild our local economy.
- 2.7 That will take some time. We have several decades-worth of outsourcing and privatisation to reverse. But we are moving as swiftly as possible, because the sooner we start running services ourselves the sooner we can create a fairer and more equal borough.

3.Recommendations

It is recommended that Cabinet

3.1 Notes progress made to date in relation to additional services coming back in-house set out at appendix 2;

3.2 Approves the recommended approach methodology outlined in Appendix 1

4 Reasons for decision

4.1 Direct delivery remains the Council's preferred model of service delivery, in line with the administration's political priorities. The report sets out how services will be reviewed with the preferred outcome that they be brought in-house to a direct or hybrid service model on a sustainable and legal basis. Endorsement of the approach and governance model set out in the report is necessary in order for the Council to implement the administration's priority through individual decisions relating to specific services.

4.2 The methodology outlined in Appendix 1 (Insourcing Approach), provides a consistent, structured and proven methodology on which to base these decisions.

5 Alternative options considered

5.1 Do Nothing

The Council would continue to review contracts due for renewal on a contract by contract basis without the use of an Enabling Framework. This approach would mean that decisions would not be taken in an evidence-based way; would prevent the Council from strategically planning to pursue short, mid and long-term insourcing opportunities; would prevent the achievement of economies of scale that could otherwise support the financial and operational viability of an in-house delivery option; and would be deficient in terms of risk management.

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 In October 2019 Cabinet approved an Insourcing Policy and requested a further insourcing paper be produced and presented back to Cabinet in March 2020.

Progress to Date:

6.4 The Council has made significant progress last year in progressing additional services coming back in-house, with 25 initiatives currently inflight, including:

- Highways engineering core team will be brought in-house by June 2020, with up to 30 staff being employed in this area.
- Several in-house services are being created across Adults and Children’s Services, ranging from reablement and advisory services to resourcing day centres, after school care for disabled children and nursing homes.
- Capital Projects, Strategic Property Unit, Housing and Regeneration services are building in-house capacity over the next couple of years across several professional disciplines (project managers, surveyors, designers etc.), migrating from 75% outsourced activity to 25% outsourced only for specialist services.
- Homes for Haringey are considering a proposal for the Council to undertake parking enforcement on estates via the Council’s in-house parking enforcement team instead of using 3rd party contractors.
- Permanent recruitment will be brought in house.
- Litter enforcement.

Additional details are provided in Appendix 2

6.5 Several key reviews will be undertaken over the next 12 months, these will include (but not limited to):

- A phase 2 review of FM related services to assess whether other services currently delivered by 3rd parties should be delivered directly, building on capacity and capability that will now be in-house.
- Highways maintenance.
- Care and health related services that are a natural expansion to some of those services already planned to be delivered via an in-house team.

6.6 The Council has identified several services that could be potentially delivered through a hybrid model:

- Print services (linked to FM phase 2 review)
- Debt collection
- Design and master planning services/support

- Language services
- Adaptations and assistive technology
- Foster care recruitment

As part of the review process, the Council will continue to consider hybrid opportunities where it is not possible to provide a full in-house service.

Approach to Insourcing Services

6.7 The Council will adopt a multi-dimensional approach to identifying and reviewing insourcing opportunities. The means of identifying and reviewing opportunities will include the following:

6.7.1 A strategic and holistic review of all major contracts and services based upon defined criteria, such as; value for money, economies of scale, performance, resident satisfaction, strategic opportunities, community-related priorities, and Council priorities. This will be the primary approach adopted over the next two years;

6.7.2 Our existing process of reviewing individual contracts as they are due to expire or be extended. Where feasible, this will be undertaken at least 18 months prior to the end of the contract term to provide sufficient time to potentially insource the service;

6.7.3 Council service area identification of opportunities, in the course of business as usual, to deliver services directly that are relatively low risk and straight forward to bring in-house; or

6.7.4 Interventions that are brought about by transformational initiatives, emerging Council priorities, contract or market failures.

6.8 Once opportunities have been identified, the Council's approach to decision-making on whether or not to bring services in-house will be through the use of an Enabling Framework and aligned to the constitution. The Enabling Framework will provide a structured approach to arrive at an evidence-based decision for all service delivery reviews, except for the low value/risk decisions that can be made by Directors. It will require consideration of all delivery options, including in-house provision, a hybrid of in-house and 3rd party, working with other public sector or voluntary sector organisations, as well as third party providers to identify the right service delivery model that meets our criteria, affordability and service quality requirements.

6.9 The Enabling Framework will also consider broader outcomes such as social value, environmental impact, and community wealth building. The adoption of a social value calculator in our evaluation process, will enable the Council to consider the longer-term benefits to its communities, economy and environment.

6.10 Core criteria and a weighting regime will be applied against the various service delivery options noted at para.6.8. The following criteria are employed as a minimum in making decisions about whether the Council is best placed to directly deliver individual services:

- Affordability
- Value for money
- Performance and service quality
- Capability
- Organisational capacity
- Social value
- Environmental impact
- Timing
- Market conditions
- Risk

6.11 All contracts coming to an end and new contracts being considered, will need to go through the Enabling Framework to ascertain the appropriate delivery model prior to any re-procurement or contract extension activity commencing.

6.12 Appendix 1 (Insourcing Approach) provides further detail in relation to the Enabling Framework including the core criteria when assessing service delivering options, noted at paragraph 6.10.

7 Contribution to Strategic Outcomes

7.1 The proposal directly supports the delivery of the Borough Plan outcome within the Your Council priority to “be a council that uses its resources in a sustainable way to prioritise the needs of the most vulnerable residents.” This outcome contains an objective to “deliver value for money by acting creatively and innovatively to design and deliver services that are good value for residents and taxpayers” and is explicit that Haringey Council will “work towards bringing council services in house where it is prudent to do so.”

7.2 The proposal supports the delivery of other Borough Plan objectives:

- Economy: “Maximise the benefits of council, other public sector funding and private investment for the local area”
- Economy: “Increase the number of Haringey residents, especially from disadvantaged backgrounds and/or with additional needs, securing quality employment”
- Your Council: “We will ensure that Haringey Council is an inclusive workplace by attracting and retaining diverse and talented people”

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

Finance

- 8.1 The Council has a constitutional and legal obligation to obtain value for money. The proposed Enabling Framework which provides the context for decisions about insourcing includes affordability and value for money within its minimum criteria.
- 8.2 Future projects that arise from the implementation of the Insourcing Policy will require individual consideration and will have to be supported by a full financial assessment of the options to assist in establishing their affordability and value for money.
- 8.3 The recommended approach methodology set out in Appendix 1 proposes the creation of three new positions within Strategic Procurement. Funding for these posts is yet to be identified.
- 8.4 Where additional one-off resources are required to meet the demand of a specific insourcing initiative, these will need to be set out in the project delivery plan. Funding approval will need to go through the normal governance process and be clearly defined before the project commences.
- 8.5 In considering organisational capacity, the potential challenges and pressures of managing these workforces should be reviewed and recognised.

Strategic Procurement

- 8.6 Strategic Procurement fully supports the recommendations of this report.
- 8.7 The Council's Enabling Framework is key to ensuring we fully consider the best value delivery options for our services. Launching this framework to ensure we apply a consistent approach in assessing service delivery options, will be paramount to identifying insourcing opportunities.
- 8.8 Strategic Procurement already undertake a challenge review of contracts in excess of £160,000; however, the adoption of the methodology outlined in Appendix 1 (Insourcing Approach) provides a more robust framework for assessing the suitability of these contracts being delivered directly by the Council.

Legal

- 8.9 The Assistant Director of Corporate Governance has been consulted in the preparation of this report and the methodology outlined in Appendix 1 (Insourcing Approach).
- 8.10 The Assistant Director of Corporate Governance confirms there are no legal implications at this stage. Legal advice should be obtained on a project by project basis where required.
- 8.11 The Assistant Director of Corporate Governance sees no legal reasons preventing Cabinet from approving the recommendations in the report.

Equality

- 8.12 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.
- 8.13 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.
- 8.14 The decision is to approve an approach to insourcing services and governance for insourcing projects. Equalities considerations in this instance relate to the providers of services and the recipients, meaning Haringey residents.
- 8.15 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.
- 8.16 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.

- 8.17 It is noted that specific insourcing projects are set out in an Appendix 1 (Insourcing Forward Plan) to this report. Screening for equality impacts will be undertaken as and when proposals are developed in order to help ensure that changes to delivery models do not result in any discrimination against individuals or groups who share the protected characteristics. If appropriate, detailed equality impact assessments will be completed for individual proposals.

9 Use of Appendices

Appendix 1: Insourcing Approach

Appendix 2: Insourcing Initiatives

10 Local Government (Access to Information) Act 1985

N/A