Appendix 1 - Insourcing and Enabling Approach

Insourcing Approach

The Councils Insourcing Policy clearly outlines the Council's intention to deliver services inhouse as a matter of preference, provided it is legal, sustainable and provides quality services.

The Council will adopt a multi-dimensional approach to insourcing services in order to be able to identify and pursue the widest possible range of opportunities. Decisions will be based upon a common, consistent and evidence-based process that will consider insourcing as the preferred delivery model alongside alternate service delivery options.

There are several methods for identifying insourcing opportunities:

1. Strategic – Reviewing services at a service type/category level (i.e. facilities management, homecare, passenger transport etc.), prioritising those services for which we assess that insourcing will bring greatest benefit, whether in terms of financial saving, service quality, resident satisfaction, or contribution to strategic priorities like community wealth building.

2. Contract reviews – through our ongoing 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.

3. Opportunistic – Business units identify an opportunity to bring services in-house that is relatively low risk and straight forward to deliver (i.e. increase staff to deliver services directly, instead of using a 3rd party providers (e.g. surveyors, project managers, designers)).

4. Interventions - Interventions that are brought about by transformational initiatives, emerging Council priorities or other influences (i.e. changes in the way we deliver services, collapse of provider, market etc.).

The Council currently reviews all its service contracts in excess of £160k, at least 18 months ahead of when they are due to expire. Whilst we will continue to review each of these contracts, we will migrate to a more strategic category/service review, to provide a more holistic and strategic approach to delivering these services. It is anticipated this will bring forward further opportunities to insource services due to economies of scale being applied across the services/categories instead of reviewing contracts individually.

The Council's approach to deciding which insourcing opportunities to pursue will be through the use of an Enabling Framework, the core principles of which are

summarised in this appendix and supported through a methodology and tool kit being refined throughout 2020.

The Enabling Framework: The context for decisions about insourcing in Haringey

Decisions as to how services across the Council are delivered, will be underpinned through the use of the Enabling Framework to determine the appropriate delivery model for those services.

The Enabling Framework approach will consider 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.

The Enabling Framework will not only focus on the appropriate service delivery model, it 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.

The Council may take the decision to adopt a hybrid approach to insource some, but not all, elements of a service, for example;

- where there are infrequent specialist services (i.e. lift engineers) it is not always feasible to employ full time staff directly;
- where we need to transition services over a period of time adopting an incremental approach to insourcing a service;
- where it is not possible to directly deliver all the services due to technical or financial reasons.

In adopting a hybrid model, where we deliver some aspects of a service, the remainder of the service(s) will be delivered by community or commercial partners, depending on who we assess to be best equipped to do this.

We must have confidence that our decision-making process satisfies our constitutional and legal obligations to deliver value for money. We will develop our Enabling Framework and supporting tool kit, to support the decision-making process that enables the Council to meet its duties, that achieves the objectives of the Insourcing Policy, and that has regard for key strategic considerations.

It is essential the Enabling Framework and he assessment criteria applied is not seen as a barrier to insourcing, but a structured approach that provides evidence based information to enable the Council to make

The Enabling Framework will adopt criteria relevant to evaluating the differing service delivery options. The following criteria are employed as a minimum in making decisions about whether the Council is best placed to directly deliver individual services:

1. **Affordability and value for money:** The Council has a legal obligation to ensure it obtains value for money when spending public money. It would be financially irresponsible for the Council to bring services in-house at any cost. However, the Council could still decide direct delivery is the best option given other considerations in the assessment criteria (i.e. social value, quality etc.). Careful assessment of the costs, including opportunities to reduce costs, needs to be undertaken to fully understand the financial exposure associated with each option, and should at least include considerations for staffing, plant, equipment and any large expenditure on assets or operational hubs.

   The adoption of a social value calculator will be introduced into the Enabling Framework as part of the value for money assessment. This will enable consideration of the benefits associated with aspects of directly delivered services such as enhanced terms and conditions for staff.

   Value for money can be measured in many ways and is not simply how much the contract costs, additional considerations relating to the whole of life costs in relation to the management of that contract should also be considered. All too often services are outsourced, and we then employ numerous posts to monitor and manage the contract; we therefore need to ensure we capture these hidden costs.

2. **Performance and service quality:** We have a responsibility to ensure that our residents receive the best possible services, whether this is bin collection or the delivery of important adult social care services. The failure to deliver good quality services reduces public trust and confidence and can also have serious consequences for individuals if failing. Consideration will be given to the performance of the existing service provider and whether they are delivering services to the standards we expect. The Council will not bring services in-house where it will diminish quality.

3. **Capability:** Delivering public services is a significant responsibility and so it is essential that whoever does so, has the capability to deliver an effective service that meets the objectives of the service and delivers the services to the expected performance levels. This involves having the right skills and resources available to deliver the services. Generally, with external delivery partners the capability exists already and is assessed as part of the procurement activity. When considering bringing services in-house, this

capability may need to be transferred in or developed over a period of time. Having sufficient capability is essential to ensuring we can deliver services effectively and avoid the risk of not being able to deliver the services, which may place the wellbeing, health and safety of our workforce and residents at risk.

4. **Organisational Capacity:** The Council has seen a reduction in workforce and consolidation of operational assets, as it works hard to resource services within the confines of shrinking government funding. Regenerating capacity in terms of organisational infrastructure and assets may be challenging and needs to be undertaken in a controlled and managed way, so as to ensure that services can be brought inhouse successfully in line with the objectives of the policy. When assessing whether to bring services inhouse, the capacity of the Council workforce to manage a successful transition will need to be considered. The Council will need to will determine which opportunities should be prioritised through the decision-making process, if it transpires there are more competing insourcing opportunities available than the Council has capacity to manage.

5. **Social and Environmental Values:** In conjunction with the pursuit of value for money, social value is a key consideration in the Council's work to improve the local economy and wellbeing of its residents. The Council will adopt a social value calculator to assist in the assessment of the service delivery options. Whilst social value can be achieved through multiple delivery options, directly delivering the services provide the greatest level of oversight and influence and therefore potential to maximise social value. The Council also engages with VCS organisations, social enterprises, co-operatives and community groups, who may be better placed to help the Council deliver social value in the Borough. Considering which delivery option may provide the most social value balance can not only significantly enhance the lives of our residents and communities, it can mitigate pressures on other services delivered by the Council, especially where wider housing, care and health related support services are involved.

Environmental considerations are becoming increasingly important in our everyday activities. The effects of climate change on our planet are widely reported. The Council has declared a climate emergency, and this will need to be considered within the decision-making process, especially were a direct delivery option provides greater impact and control in delivering the Council's environment policies.

6. **Timing:** A key consideration in decisions will be whether we can establish capability, capacity and the infrastructure in order to insource a contract at the time when an existing contract ends. Consideration needs to be given to

hybrid arrangements that enable the Council to build capacity and capability over a period of time. Trying to bring services in-house too soon, can lead to failures in delivering the services and the associated consequences. Where we need to acquire or build assets, consideration needs to be given to the time required to procure these and the lead in times, especially where high value or complex plant and equipment, or construction is required to support delivery of the services.

7. **Market conditions:** This is a key consideration when assessing the delivery options; being able to benchmark not only against our fellow peers in the public sector, but also commercial operators. Particular attention will be given to public sector partners who deliver the services in-house already. Markets evolve over time with emerging technologies, changes to legislation, consolidation or withdrawal of providers etc. These changing market conditions may make the prospects of considering in-house provision more appealing and enable the Council to ensure it has greater control and vital public services are less exposed to disruptive market influences.

8. **Risk:** Risk manifests itself in many guises and must be transparent in any assessment of the delivery options. In addition to the risks associated with the above criteria, additional risk assessments covering reputation, operational, legislative, equal pay, single status and other workforce related pay and conditions should be considered where appropriate. These risks are not always obvious and have financial implications that may not be in the initial financial modelling; however, these should be consider in relation to the social value and community wealth building ambitions. It should be recognised that the Council owning all or aspects of the associated risks may be a preferred option and provide greater control in managing the risks.

Due to the diversity of the services delivered by the Council, each service area will likely have additional considerations when assessing the most appropriate delivery model. Adopting a flexible and dynamic approach to our assessments will enable the Council to consider best value for its residents whilst supporting the strategic objectives of the Insourcing Policy.

Assessing the options, scoring matrix and weighting

Recognising the Council's Insourcing Policy and preference to directly deliver services, decisions on who will provide the services and the service delivery model, will be determined through the criteria outlined in the Enabling Framework. Appendix 1A below has further information relating to the methodology to be adopted.

The transition to insourced services

Transition of opportunistic initiatives will be managed within the service by the relevant Director.

Insourced services requiring the approval by Cabinet, whether in part or in full, the relevant Directorate will be accountable for the transition of the service(s) and the delivery of the outcomes.

In some instances we may assess that a service should be insourced, but that it is not possible or even responsible to do this in the short term, for example, because the organisation may not yet have the skills, capacity or capability to deliver the associated services. Where this is the case, the outcome of the decision-making process will be to put in place plans to facilitate the transition to an insourced service over a longer time period. Depending upon the complexity of the services coming in-house, it may be prudent to establish a team to transition the services in-house. Where other authorities have brought these services in-house, we will liaise with those authorities to identify lessons learned and adopt good practices that worked well, look to mitigate risks and avoid any issues that arose through the transition. The Council will develop a tool kit to assist the transition of services and over time will develop the expertise in managing these transitions.

Appendix 1A – Enabling Framework

The intention of the Enabling Framework is to ensure we apply a consistent methodology with clear criteria that establishes a best value and an evidence-based approach, to ensure the Council has sufficient information to make an informed decision on who will deliver Council services.

The Enabling Framework will be supported by a tool kit providing support and guidance, along with templates for officers to use during the option appraisals for delivering services.

This appendix provides a simple summary of the Enabling Framework methodology whereby the services will be delivered directly by the Council.

Figure 1: Methodology overview
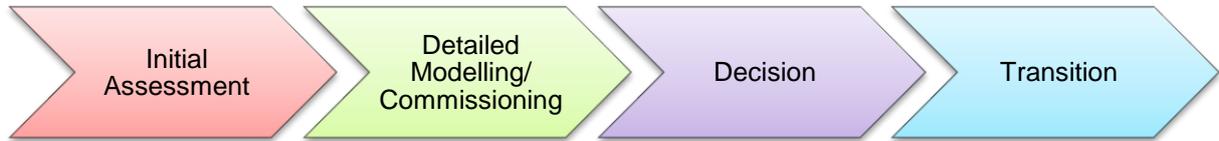
Initial Assessment

The initial assessment is undertaken to ascertain at an early stage whether it may be feasible to consider an in-house service delivery model.

Finacial Considerations	• Intial financial model of cost of service provision • Benchmarking • VfM (MTFS – Budget Pressure/ Savings) • Service Design
Social Value/ Community Wealth Building	• Local Employment • Quality of Jobs • Terms & Conditions - London Living Wage • Service Design – Scale/ Local SMEs
Performance	• Current performance levels - Continuance of Improvement • Quality of services - fit for purpose • Benchmarking of services (i.e. top quartile etc.) • Emerging Needs
Legal Considerations	• Best Value Duty • Reasonableness • Fiduciary Duty
Contractual Considerations	• Timing (when - end of term, break point, extension, immediately etc.) • Contractual Exit Costs • Contractual Relationship – Partnership / Disputes / Industrial Trade Unions • Contractual Flexibility to change – Deliver savings/income

The above is an illustration of some of the considerations in each section.

The adoption of a Go/No Go criteria assists in determining which options migrate to a detailed model.

An example of a Go/No Go Assessment is provided below:

|	**Option A**	**Option B**	**Option C**	**Option D**
	Extending the current contract	*Bringing the service fully back in-house*	*Provider A to fully provide the service*	*A hybrid model – In-House / some external capacity*

	Option A *Extending the current contract*	**Option B** *Bringing the service fully back in-house*	**Option C** *Provider A to fully provide the service*	**Option D** *A hybrid model – In-House / some external capacity*
Affordability	No Go – exceeds budget by £1m	Go - £100k below budget	Go - £200k below budget	Go – on budget
Performance of service	No Go – Performance of the current contractor is inadequate as evidenced by KPI's	Go – In-house provision could be effectively performance managed and be more responsive to demands of the service.	Go – Provider A should be able to provide a good level of performance and the Council has some level of influence in ensuring performance levels are met	Go – this option should allow optimal performance by using the strengths of each of the partners to deliver the services.
Assurance of capability	Go – The contractor has the capacity to deliver the service	Go – The Council does not have full capability at present but given time and resources this could be developed.	No Go – Provider A lack capability in key areas compared to the Council and current provider	Go – this option should allow capacity to be sourced from the optimal provider
Pass/fail	Fail	Pass	Fail	Pass

Where it is determined it may be feasible to deliver services in-house a detailed model will be developed.

Detailed Modelling

The appraisal methodology is designed to analyse each option objectively against criteria that reflects the Council's strategic priorities, the outcomes and objectives of the service. The minimum criteria considered is referenced in pages 3-5 of this

appendix. This is completed by applying a process broadly in line with the summarised stages outlined below.

Stage 1		Stage 2		Stage 3		Stage 4
•Determine Service Outcomes	→	•Define assessment criteria	→	•Rank assessment criteria to determine weighting	→	•Final score = score against assesment criteria x weighting
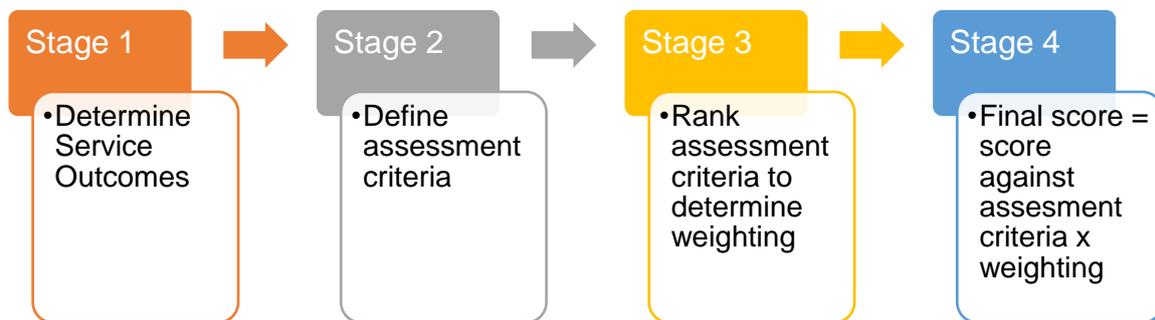
Stage 1 – determining desired Service Outcomes based on the priorities in the Council's Borough Plan, service requirements and with reference to applicable local and Government policy.

Stage 2 – the development of Assessment Criteria based on the Service Outcomes identified, and the minimum criteria previously stated above (pages 3-5). It is recommended the adoption of Go/No Go criteria is incorporated into the assessment, divided into two parts:

1. Affordability – financial model of the various service delivery options, including social economic considerations. This should incorporate a 'Go/No Go' baseline to determine whether to continue with a detailed quality assessment (i.e. affordability limit).

2. Quality – a minimum qualitative 'Go/No Go' criteria that each option has to meet before being assessed against the overall quantitative criteria, which would be scored on a scale from low to high (i.e. 0 (low) to 4 (high)), for each option (i.e. minimum score of 2 to be achieved in x requirements).

Stage 3 – the application of weighting to the Assessment Criteria to reflect the relative level of importance of each criterion, linked to the Service Outcomes.

Stage 4 – scoring of options by which final results are determined. Each option is first assessed against the 'baseline/minimum line' criteria and the qualifying options are then scored against the assessment criteria before being multiplied by the appropriate weighting to produce a weighted total score. This will enable the ranking of each of the options.

Decision

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.

Where opportunistic (low value/risk) opportunities arise, Directors of the service can decide to proceed with these opportunities where the decision remains within the confines of the constitution (i.e. is not a key decision, increasing staff to avoid 3rd party contracts etc.).

Whilst the ranking of the service delivery options will determine the outcome of the assessment, the Council may still take the decision to deliver the services in-house where there is only a small variance between in-house delivery and an alternate option.

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.

Transition

When a decision is taken to adopt a full or partial in-house delivery model, the relevant preparations will be required to transition the services. This will be supported by the relevant resources and transition plan.

Tool Kit

The Council is currently in the process of bringing numerous services in-house, we will build upon this experience and develop a dynamic tool kit that can be used as a basis for assessing service delivery options and transitioning services into the Council.