



Public Realm Services – Making the Right Choice

Ensuring Best Value in Local Authority Decision Making

Customer:**Environmental Services Association****Customer reference:**

Service choices report

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Executive summary

Local Authorities are continuing to face pressure to make efficiency savings, having faced a 40% reduction in funding since 2010 with further reductions likely in the continuation of austerity measures. This coupled, with a downturn in the global commodities markets, means that Local Authorities are having to identify significant savings to their public realm budgets. Along with the budget cuts, Local Authorities also have to comply with their statutory duties in relation to waste collection, in what are highly visible public services.

In addition to their statutory duties, the UK also has a duty under the revised EC Waste Framework Directive to meet a 50% recycling target of municipal waste by 2020, and local authorities have a vital role to play to avoid the UK incurring infraction penalties from Europe. In addition Wales and Scotland have set higher targets for their authorities. As a result, Local Authorities are having to review public realm service delivery, having already achieved significant efficiency savings, and there has been much debate in the trade press regarding the method used for service delivery: that is in-house, outsourced or a combination of the two. For the purposes of this report, it is worth putting into context what is meant by insourcing and outsourcing:

- Insourcing is defined as transferring the management and delivery of the services to an 'in-house' provider (i.e. a local authority); whilst
- Outsourcing is defined as procurement and delivery of services from private sector organisations in a manner similar to the current service delivery or an alternative delivery model.

Ricardo Energy & Environment, in partnership with the Environmental Services Association (ESA) and supported by LARAC, have reviewed available data and information on the decision making process and choices that local authorities make when delivering an in-house or out-sourced service and specifically achieving 'best value' and transparency in decision making and the perceived recent trend of in-sourcing services.

From the data available within the constraints of this project, the data indicates that there has been little change in the overall approach to service delivery mechanisms for residual and recycling collection services, and residual disposal over the last 10 years. The data indicates that there has been a change to HWRC service delivery, with a decrease in the use of in-house service delivery, and an increase in these services being contracted out. Further assessment will be needed in future years to determine if there is any significant trend to public realm service delivery in response to the high profile nature of the in-sourcing debate in the last 6 months, as there is a lag between the decisions being made by local authorities and any resultant service changes being implemented. In particular, further data is required on the mechanisms used for service delivery, for example the use of Direct Service Organisations (DSO), joint ventures, partnership working with other local authorities, or Teckal exemptions.

Before a local authority can decide to out-source or in-source a service they must decide what they want to achieve in terms of the services performance, cost profile and other key criteria, like flexibility.. Only by knowing where they are currently in terms of these issues (baseline) and where they need to get to, can they then realistically decide on the approach to service provision and procurement and demonstrate 'best value'.

There is no right or wrong approach to service delivery. Local circumstances, previous performance, experience and the political ideology of the Council will all effect the likely approach adopted in any one authority. However, there is little evidence of local authorities publishing evidence to support their decision making process in demonstrating 'best value', and the recent announcement in the Budget that there will be a consultation on the new rules regarding transparency of costs for in-house service delivery is welcomed. This will provide transparency for the market, and provide a level playing field for the market, and may also provide a mechanism for adopting standard reporting to ensure a consistent approach to demonstrating 'best value'.

Foreword

“In recent years the local government sector has faced huge cuts to its funding from central government. This is putting services under pressure and making the need for value for money more crucial than ever. At the same time, a new era of lower commodity prices has raised recycling costs for those local authorities which are now coming to the market for the first time since the end of the largest commodity boom in history.



This combination of factors is leading an increasing number of authorities to explore all possible options for the delivery of their services, including waste and recycling. Ricardo's report doesn't find evidence of a significant overall trend towards in-sourcing or out-sourcing of waste services in the past 10 years. But the report has uncovered a worrying lack of transparency around local authority decision making in this regard. For council recycling officers it is often too challenging to benchmark in-house service provision against the market due to a lack of clarity around cost allocation amongst other factors.

With authorities struggling under budget cuts and residents concerned about the ongoing provision of their services, the research presented here offers much-needed insight into these issues. If this report encourages more councils to examine carefully whether their waste services are achieving value for money, it will have been a great success.”

Jacob Hayler, Executive Director, ESA

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1 Introduction

In the November 2015 spending review, the Government announced a reduction in Local Government Central Grant of £6.1bn by 2019/20. As a result pressure will continue to grow for Local Authorities to make efficiency savings and achieve 'best value' for environmental services. But what is 'best value' and how do authorities make informed decisions about the delivery of Public Realm Services? Is the regime currently working, and should an amendment to the transparency code¹ be proposed so that best value for the tax payer has greater transparency? This is an aspect that we may see greater requirements in the future, with the Government indicating in the recent Budget that there will be a consultation on the new rules regarding transparency of costs for in-house service delivery². Ricardo Energy & Environment, in partnership with the Environmental Services Association (ESA) and supported by LARAC, have prepared a report on current trends in service delivery. With the aim of gathering data and information on the decision making process and choices that local authorities make when delivering an in-house or out-sourced service and specifically achieving best value and transparency in decision making and the perceived recent trend of in-sourcing services.

1.1 Context

Since the 1980s, local authorities have been required to either contract out services, or test in-house service provision against the market to ensure that the local authority is getting **value for money**. As a result, in broad terms public realm services across the UK can vary from being delivered in-house, outsourced or a combination of the two. For the purposes of this report, it is worth putting into context what is meant by insourcing and outsourcing:

- Insourcing is defined as transferring the management and delivery of the services to an 'in-house' provider (i.e. a local authority); whilst
- Outsourcing is defined as procurement and delivery of services from private sector organisations in a manner similar to the current service delivery or an alternative delivery model.

Since 2010, local authorities in the UK have had to face unprecedented change. Economic conditions resulted in local authorities facing a 40% reduction in funding since 2010, and this trend for cuts to funding is continuing in the context of austerity. Thus, local authorities are under pressure to save more money each year, and their waste management services are often one of the larger budget lines, with high numbers of staff and associated assets, that have been a focal point for local austerity measures and budget cuts. The root causes of austerity including the global crash of the financial markets in 2008 has also meant that services delivering revenue or presenting opportunities for avoided costs such as commercial waste services or material sales have also been restricted. In particular the gate incomes once being achieved by local authorities for recyclate collected have dropped through the floor, leaving some authorities who were in receipt of a revenue stream to offset service costs now having to pay significantly more for treatment and disposal. These financial constraints have meant that every penny counts more than usual within budget.

Public realm services are not protected front line services; however local authorities have statutory duties in relation to waste collection, and of course waste collection and street cleansing are a highly visible service to all residents. The UK also has a duty under the revised EC Waste Framework Directive to meet a 50% recycling target of municipal waste by 2020, and local authorities have a vital role to play to avoid the UK incurring infraction penalties from Europe. These targets, plus further planned reductions to budgets mean that local authorities are having to re-think how they can achieve additional savings in public realm services, and achieve desired performance levels, having already delivered significant savings since 2010. While some authorities see the best way of achieving savings and improving performance is through handing as much as possible over to external contractors (outsourcing), whilst others believe bringing services back in-house (insourcing) is the better option.

¹ This document sets out the minimum data that local authorities should be publishing, the frequency it should be published and how it should be published <https://www.gov.uk/government/publications/local-government-transparency-code-2015>

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508193/HMT_Budget_2016_Web_Accessible.pdf

There is an ongoing debate concerning the real and perceived benefits of both insourcing and outsourcing. In 2009 the Association for Public Service Excellence first reported in detail on the trend that authorities were bringing contracts back in house and cited that this was being undertaken chiefly to improve the quality of services and value for money. Alternatively, and only recently (July 2014), Luke Mansell, a partner of the Information Services Group was quoted in an article for CIPFA on their Public Finance website as saying: *'The recession and the subsequent focus by the public sector on cost reduction and value for money has driven a renewed interest in outsourcing and its role in helping deliver efficient, cost-effective services.'*³ There have also been a number of articles in the trade press as well as a recent conference on *'Remunicipalisation of waste services'* organised by Lets Recycle. These highlighted that local authorities are making decisions with regards to insourcing and outsourcing their public realm services, including Liverpool, Birmingham, Hounslow and Barnet (examples of some of these headlines are shown in Figure 1).



Figure 1: Trade press headlines

With such conflicting information, local authorities face difficult decisions on insourcing or outsourcing and therefore need to consider each service and approach to their delivery on a case by case basis.

The aim of this report is to present an overview of the data publicly available concerning the delivery of public realm services, present the drivers, risks and rewards for the two key approaches to service delivery (i.e. in-sourcing or out-sourcing), the challenges and opportunities for service delivery, and provide guidance to local authorities with regards the right questions to ask and when to consider them to ensure they make the right choice.

2 History of outsourcing – the baseline

Prior to the introduction of the concept of 'compulsory competitive tendering' (CCT) in 1979, most of the statutory functions and services of a local authority were provided directly by their own direct labour organisations (DLOs) or Direct Services Organisations (DSOs), with some specific elements of the services provided by private and voluntary organisations e.g. disposal contracts.

³ <http://www.publicfinance.co.uk/news/2014/07/value-public-service-outsourcing-contracts-%E2%80%98nearly-double-private-sector%E2%80%99>

Whilst the CCT legislation was introduced by central government, much of the drive to contract out services initially came from the local authorities themselves. Although the contracting out of services, on a limited and specialised basis, to the private sector was not a novel idea, most local authorities invariably chose to retain their DLOs or Direct services Organisations (DSOs). For example, during 1979, only two local authorities (Maldon and Mid-Bedfordshire District Councils) contracted out refuse collection services to private contractors.

Industrial action by public sector workers caused widespread disruption to local authority services during the so-called 'winter of discontent' of 1978 / 79 however, had required some local authorities to use contractors on an ad hoc basis to clear backlogs of waste accumulated on highways and in open spaces. The effect of the disruption, notably in respect of the absence of refuse collection, was widely reported in both local and national press and images of 'mountains' of waste that were a 'health hazard' featured in the media.

One of the consequences of the 'winter of discontent' was for senior officers and elected members within local authorities to question the impacts associated with disruption to services such as refuse collection and how this was perceived by residents and other stakeholders. The opportunity to use CCT was increasingly seen as a means to challenge the traditional approach that services must be provided in-house by a DLO or DSO.

A Local Government Chronicle survey in 1983 revealed that, in the period April 1982 to April 1983, one hundred and fifty (150) of the three hundred and fourteen (314) local authorities that responded had considered 'privatisation'. Although, CCT had a significant impact in England; in Scotland and Wales its impact was less, as there was no real political will to outsource public services.

The CCT regime and approach to contracting out continued for a period of approximately twenty years until new regulations were proposed in November 1997, following a change of Central Government. The new regulations were intended to change the requirements for CCT by making it more flexible. Local authorities were now encouraged to use a '**Best Value**' approach to delivering public services, with the principle that value to customers (i.e. residents and other stakeholders) was to take priority over competition.

The new 'Best Value' regime allowed local authorities to consider direct provision of services and a number of local authorities cited 'best value', amongst other reasons, as a factor in the decision to bring services back in-house. The 2009 APSE Report, '*Insourcing: A guide to bringing local authority services back in-house*' illustrates a number of case studies and examples of where services were returned in-house. Those where 'best value' were specifically cited in the report are:

- Maidstone Borough Council brought their Grounds maintenance service back in-house in 2008 at the natural end of contract citing: a need for synergy between street cleansing and grounds maintenance; and Best Value and value for money considerations;
- West Devon Borough Council returned their Homelessness service in-house in 2004, citing a desire to achieve best value and improved performance; and
- Bedfordshire County Council returned their Strategic Service Delivery Partnership (for a range of service areas) in-house in 2005 after termination of the contract because several key deliverables were not being delivered including: Performance down on four Best Value Corporate Health indicators.

Best Value was introduced into legislation by the Local Government Act 1999 and came into force in April 2000. Section 3 of the Act identifies a general duty whereby '*A best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness*'. As stated in the House of Commons Research Paper 99/1 (RP 99/1)⁴, '*...councils would have to conduct performance reviews and publish annual local performance plans. The Government or, in Wales, the National Assembly, would devise performance indicators and national standards for local government. The Audit Commission would be responsible for auditing local best value plans and would carry out best value inspections of authorities. The Government/National Assembly would have wide powers to intervene where councils were shown to be failing to achieve best value*'.

⁴ <http://researchbriefings.files.parliament.uk/documents/RP99-1/RP99-1.pdf>

Clause 1 of the Bill defined ‘best value authorities’ and, in deciding how to fulfil their ‘best value’ duties, authorities had to consult with representatives of local authority taxpayers, non-domestic ratepayers, service users and others having an interest in an authority's functions.

To demonstrate that they were applying ‘best value’ to the services they provided, local authorities were required to demonstrate that they had taken into account economy, efficiency and effectiveness (the 3 E's) when making arrangements for the services. Auditing of local authority best value plans and the carrying out of best value inspections of local authorities was the responsibility of the Audit Commission before it was disbanded in 2015.

The new best value regime required local authorities to:

1. Produce annual performance plans – these should set out the local authority's record of achievement, their future plans and targets and priorities to identify services for review;
2. Ensure that all services receive a detailed review over a five year period; and
3. In carrying out reviews, a local authority should consider the four **C**'s:
 - i. **Challenge the need for a service to be delivered (statutory versus discretionary)**
 - ii. **Compare the levels of service being provided against the best private or public alternative**
 - iii. **Consult with residents and stakeholders within the local authority area**
 - iv. **Ensure Competiveness that can be compared to ‘best’ service provision and can demonstrate an ethos of continuous improvement.**

In Wales the ‘Wales Programme for Improvement’ (WPI) was introduced in 2002, replacing the Best Value regime. It was designed as a locally owned approach to improvement, where local authorities assess and seek to improve the corporate health of the organisation and the performance of services.

The Local Government (Wales) Measure 2009 introduced significant reform as the Measure sought to link local authorities' shorter-term, annual improvement planning (through the WPI) with their longer term strategic planning (the community strategy).

Authorities have a general duty to make arrangements to secure continuous improvement in the exercise of their functions. Improvement is defined within statutory guidance as ‘...means more than just quantifiable gains in service output or efficiency, or the internal effectiveness of an organisation. Rather it should mean anything that enhances the sustainable quality of life and environment for local citizens and communities.’

In Scotland the Local Government in Scotland Act 2003, placed a statutory duty of Best Value upon local authorities in the discharge of their functions. This system was agreed with COSLA following a series of Best Value pilots in local authorities in the late 1990's. Statutory guidance was issued to local authorities in 2004.

Audits of Best Value and Community Planning are designed to assess local authority responses to the Local Government in Scotland Act 2003, providing an overview of a council's performance across services (and in its joint working with Community Planning partners). The Accounts Commission completed the first round of Best Value audits of all thirty two local authorities and is now in the process of carrying out a second round of audits.

The best value framework in principle should enable transparency of decision making and allow local authorities to demonstrate both their performance and commitment to delivering value for money for the local tax payer. However, without a robust audit process in place these regular checks can slip to being irregular, or more of a tick box exercise. There are some good examples of authorities regularly testing their services and critically evaluating them but there are also many authorities, particularly those that have been hit by staff cuts, which have not conducted a full review for many years. Without consistent reviews it's difficult to understand whether the service is performing optimally and whether it's delivering best value. The recent budget indicated that the government will consult on new rules requiring Local Authorities to be transparent about the cost of the in-house services they provide⁵. Will a positive change be to require the outputs of the best value regime to be made available to the public?

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508193/HMT_Budget_2016_Web_Accessible.pdf

3 What are the Trends?

The Local Digital Programme, run by the Department for Communities and Local Government (DCLG), indicated that approximately 50% of local authorities provide their waste services in-house⁶. However, there is a lack of comprehensive data on public realm contracts in the public domain. In addition it has not been possible to identify the proportion of local authorities that have never outsourced their waste services. There is also very limited information that exists of authorities publishing evidence for demonstrating best value in public realm or waste management contracts.

We are aware of a significant number of local authorities who have not outsourced their waste services, particularly in Wales and Scotland, and strong Labour authorities in England. This was despite new Labour in the early 2000s, according to the Guardian, pushing the creation of markets in public services and developing strategic public-private partnerships, showing outsourcing did cut across party lines.⁷

The project team reviewed a range of data sources to review changes to public realm contracts between 2005 and 2015. Information was available on the following services:

- Residual waste collection;
- Recycling collection;
- Residual disposal;
- Household waste recycling centre (HWRC);
- Street cleansing; and
- Grounds maintenance.

The following sections present our analysis of this data by service type to identify the nature of service arrangements in England, and how it compares to Scotland and Wales. To present the data, a scale is used to signify the level of change between 2005 and 2015. The scale used in this section is provided below.

Table 1: Scale used to illustrate change to service delivery mechanisms between 2005 and 2015.

Colour	Description
	Significant increase (>20% change)
	Increase (5-20% change)
	Little or no change (<5% change)
	Decrease(5-20% change)
	Significant decrease (>20% change)

In addition, an online survey was circulated to local authorities in England; however, the response rate to the survey was poor, which potentially indicates that decisions regarding insourcing and outsourcing services is not a key issue for local authorities at present.

Anecdotal feedback received has been that the issue for local authorities is only relevant if they're currently considering procurement, or are in the middle of a scrutiny process and are revisiting services to identify cost savings (for example). This is disappointing. At the heart of best value is the need to deliver efficient and cost effective services for tax payers and without regular documented scrutiny on whether services are being delivered effectively whether in-house or by an external provider this isn't being demonstrated.

3.1 Waste Services

Our analysis has highlighted that the proportion of waste services delivered in-house has consistently been significantly higher in Scotland and Wales compared to England.

⁶ <http://www.localdirect.gov.uk/product/local-waste-service-standards-project/>

⁷ <http://www.theguardian.com/society/2016/mar/02/councils-outsourcing-cumbria-public-private-partnership-in-house>

This is to be expected given that the political drivers for outsourcing public realm services was not a strong driver in either Scotland or Wales.

Table 2 presents the analysis of the available contract data for waste services for England, using the scale provided in Table 1 to illustrate the significance of changes to service delivery between 2005 and 2015. The results show that there was little change for residual collection, recycling collection and residual disposal over the period in question. However, the results highlight that for HWRC service delivery, there was a decrease in the use of in-house service delivery, and an increase in these services being contracted out.

Table 2: Change to service delivery in England by waste service type between 2005 and 2015.

Service	In-house	Hybrid ⁸	Contracted Out
Residual collection	Yellow	Yellow	Yellow
Recycling Collection	Yellow	Yellow	Yellow
HWRC	Green	Yellow	Orange
Residual disposal	Yellow	Yellow	Yellow

Further analysis of this data at local authority level to identify the proportion of local authorities that had made changes to service delivery between 2005 and 2015, highlighted that for residual collection, recycling collection and HWRC services over 85% of local authorities had made no change since 2005, continuing to use the same approach to service delivery (whether provided in-house or outsourced) whilst within the remaining 15%, some had moved in-house and others had contracted out service delivery.

Table 3 below shows the change by local authority type in England between 2005 and 2015. The results mirror the results highlighted above, with little or no change seen for residual collection, recycling collection and residual disposal. The only change seen was a decrease in the use of in-house service delivery for HWRC contracts, and an increase in these services being contracted out.

Table 3: Change to service delivery in England by local authority type between 2005 and 2015.

Service	Local Authority Type	In-house	Hybrid	Contracted Out
Residual collection	Unitary	Yellow	Yellow	Yellow
	Collection	Yellow	Yellow	Yellow
Recycling Collection	Unitary	Yellow	Yellow	Yellow
	Disposal	Yellow	Yellow	Yellow
	Collection	Yellow	Yellow	Yellow
HWRC	Unitary	Green	Yellow	Orange
	Disposal	Yellow	Green	Orange
	Collection	Yellow	Yellow	Yellow
Residual disposal	Unitary	Yellow	Yellow	Yellow
	Disposal	Yellow	Yellow	Yellow

⁸ Combination of in-sourced and out-sourced service delivery

Analysis of the data regionally indicates that on the whole, local authorities in the south tend to have less of their services delivered in-house.

3.2 Street Cleansing and Grounds Maintenance

Data was only available for street cleansing and grounds maintenance contracts for 2015, therefore no data on the change of delivery mechanism was available, however there is a perception that these services are being more frequently delivered in-house. The results show that as was seen for waste services, the proportion of contracts that are delivered in-house is significantly less in England compared to Scotland and Wales. The results also show that street cleansing and ground maintenance are more likely to be delivered in-house than waste services, with little difference seen by local authority type. In addition, analysis of the data regionally indicates that as for waste services, local authorities in the south east tend to have less of their services delivered in-house.

“Over the last twelve months ISS have seen what appears to be a tendency for some Local Authorities to bring their grounds maintenance work 'in-house'. Whether this is a co-ordinated effort is not clear and would seem unlikely, given the usual lack of co-ordination across multiple Authorities, is it a unilateral move on the part of some Authorities, presumably as a means of either attempting to achieve the necessary cuts to spending or in making a political move to align themselves with Council policy?

National Contractor's Forum Members do not ask for any favours in the procurement process, just that the competition is fair and transparent. Recent events of councils 'in-sourcing', in some cases, do not demonstrate this transparency, particularly to those who pay the council tax and have the vested interest in good quality and safe parks and open spaces.

For landscape maintenance providers this is a Change that should not necessarily unduly worry them, but it will challenge the private sector to further demonstrate, when allowed to play on a level field, the advantages of out-sourcing. Provided the private sector companies are afforded this fairness, we are certainly up for the challenge.”

Phil Jones, ISS Facility Services Landscaping Managing Director Chairman BALI-National Contractor's Forum

3.3 Future trends?

From the data available to the project team and within the constraints of this project, the data indicates that there has been little change in the overall approach to service delivery mechanisms for residual and recycling collection services, and residual disposal. However, there has been a change to HWRC service delivery, with a decrease in the use of in-house service delivery, and an increase in these services being contracted out, bringing this service more in line with other similar services.

Further assessment will be needed in future years to determine if there is any significant trend to public realm service delivery in response to the high profile nature of the in-sourcing debate in the last 6 months, as there is a lag between the decisions being made by local authorities and any resultant service changes being implemented.

One aspect where further data is definitely required is more detail on the mechanisms used by local authorities to deliver services instead of contracting out services, for example the use of DSOs, joint ventures, partnership working with other local authorities, or Teckal exemptions. Teckal exemptions enable local authorities to let a contract to a third party without needing to follow EU procurement rules, provided that the local authority exercises a level of control over the third party that is similar to its own departments, and that that at least 90% of its turnover is conducted within the local authority boundary. An example of the use of the Teckal exemption is Ansa Environment Services Ltd, which is a wholly owned and controlled by Cheshire East Council, and delivers waste and recycling services for Cheshire East Council, along with grounds maintenance, fleet services and street cleansing functions⁹.

⁹ http://www.cheshireeast.gov.uk/council_and_democracy/your_council/best_fit_services/ansa.aspx and <http://www.ansa.co.uk>

4 What are the drivers?

There are a number of drivers for in-sourcing and out-sourcing services for local authorities to consider, and these are summarised in the diagram below.

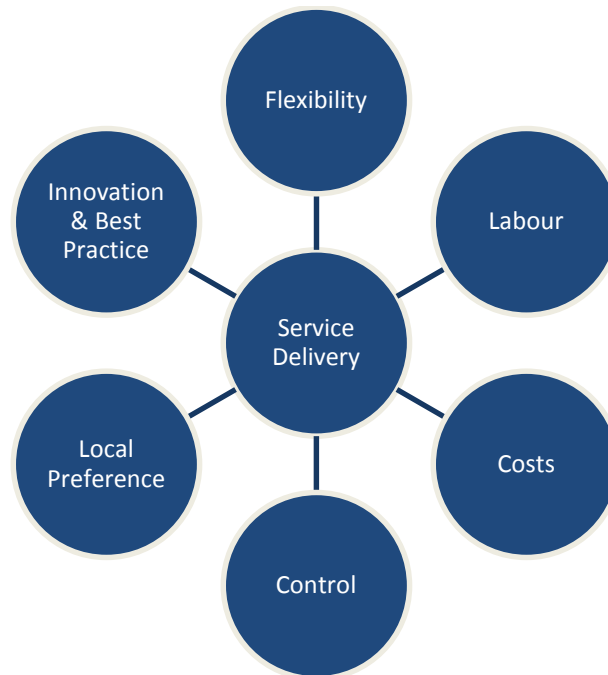


Figure 2: Drivers for in-sourcing and outsourcing services

Each of these drivers is discussed further below. Many of the drivers cited are generalities or perceptions and are very much dependent on the individual local authority and their political makeup, history and experiences, but also views of how a service may operate if it was in-sourced or out-sourced. For example an authority that has previously had a good experience with a contractor may wish to stay out-sourced, whereas an authority which has had a change in leadership may want to make changes for cost, efficiency or simply because they consider it offers more control and as a result look to in-source their services.

“When considering the re-municipalisation of waste services, Local Authorities need to consider the balance between the exposures to future liabilities versus the stability of agreed contract prices. Areas such as the labour Market, pension costs and the volatility of some supply markets (fuel, steel etc..) need to be strongly considered when making this choice. Further considerations should include the level of expertise and resource that a large waste management contractor can offer, alongside the ability to benefit from innovation and efficiencies gained from a wider portfolio of services”

Bryan Mouch, Head of Finance and Commercial, Cory Environmental

“We carried out a fundamental review of the HWRC’s in 2011 bring the service back in house. The fundamental review covered a number of areas, from soft market testing of overall service delivery costs, costs of sale of recyclable and the risks of downs and ups of income, customer satisfaction levels, performance levels, site policies.

Bringing our HWRC’s back in house (excluding one site) has achieved over £1m worth of saving per year. In addition, it has provided greater flexibility to change the service without renegotiating with contractor, for example introducing new recyclable lines straightaway.”

Glen Fleet, Warwickshire County Council

Table 4: Drivers for in-sourcing and outsourcing services

Driver	Description
Flexibility	<p>Services provided directly by a local authority may be considered more flexible, enabling quicker efficiency gains to be reaped through changes to service delivery as there is no contractual interface to deal with. Examples often cited are of snow clearing during inclement weather or flood clearance. However, this really depends on the contract agreement. There are opportunities to build in flexibility during specification development and a good relationship between contractor and client should support a nimble working environment.</p> <p>Contracts for out-sourced services often carry penalties should a local authority wish to change the way in which a service is delivered, unless the local authority has included the potential change within the contract structure. However, the other aspect to consider is that local authorities would likely need to go to full cabinet whether a service is in-house or outsourced for any significant changes.</p>
Labour	<p>Delivering a service in-house is often cited as securing local authority jobs; however, if a service is contracted out local jobs will be required to deliver the service. In addition the Transfer of Undertaking (Protection of Employment) Regulations (TUPE) applies when the service is transferred to a new employer; thus employees involved in the delivery of the current service are likely to be transferred to the new contractor.</p> <p>A key potential difference between in-house and out-sourced contracts are that there is an opportunity to incentivise staff through the use of bonuses for out-sourced services, thereby rewarding staff in relation to the performance of the contract. One of the benefits cited for operating a contract under a teckal agreement has been the flexibility to provide fiscal incentives. However, in-house staff do tend to be better paid, depending on years of service and pension options.</p> <p>Pensions are often cited as a factor for both sides of the argument, for outsourcing and against insourcing. One of the benefits of working for a Local Authority is the preferential pension arrangements, which can provide an incentive for workforces in terms of loyalty and long service. Many private sector providers also provide comfortable pension arrangements and additional benefits that a Local Authority can't provide. One of the criticisms that have been levelled against some of the recent Authority examples of in-sourcing have been around non-transparent allocation of pension costs effectively not including them within the overall cost modelling for in-sourcing.</p>
Costs	<p>There is a perception that outsourcing services will result in a higher overall cost, as private sector companies would need to make a profit on the service delivered, as well as recoup the cost of bidding the opportunity. However, this is not necessarily true as outsourcing a contract that has been tested to ensure that it is attractive to the market will drive competition which should bring the cost of the service down. However, if there is not enough competition, the cost of the service can increase.</p> <p>Large waste management companies have extensive purchasing power which may enable the level of capital investment required to be reduced, resulting in a lower contract price. Delivery of services in-house may require capital investment; however contract hire solutions are available for fleet for example which would be an operational rather than capital cost. This is dependent on the balance between capital and revenue that the authority has, a 'capital rich' authority may prefer to purchase fleet rather than have higher ongoing revenue costs.</p>

Driver	Description
Control	<p>There is a perception that DSO's provide greater control over services, as if there is a task that needs doing there is no need to vary a contract.</p> <p>Significant changes are likely to have to be approved by cabinet regardless of whether the service is in-house or out-sourced. Outsourced services can often be more dynamic in terms of decision making and mobilisation.</p> <p>The management of risk within a contract is vitally important to ensure that there is an appropriate balance between the contractor and local authority. For example, in a recycling contract who owns the materials? Does the contractor take the risk for market volatility when the price rises or falls steeply, or is this risk shared with the local authority? If one party takes on more risk, then the balance of cost/revenue should shift accordingly. This balance can often be complex in nature and there have been recent examples of authorities receiving higher than expected contract costs due to the large amount of risk involved.</p>
Local Preference	<p>The political will of local authority elected members is a key driving force in whether service delivery is delivered in-house or is out-sourced. Some local authorities may not have an appetite for out-sourcing services, but may have an appetite for partnership working with other authorities for example to drive efficiencies.</p> <p>According to the "Public Perception of Outsourcing" research¹⁰ 80% of the general public do not think the outsourcing industry is helping UK PLC. However, the general public are more likely to be focused on the quality of service delivery and how it impacts them, thus communication is vital to engage the public on any change to service delivery.</p> <p>Although there are examples of in-sourced and out-sourced services within local authorities across all colours of the political spectrum it has traditionally been Labour Party majority authorities with a preference for in-sourced services. Preference is very much dependent upon both current political predilection, the nature of the local authority (e.g. is it a commissioning authority) and also history of service delivery.</p>
Innovation and Best Practice	<p>Outsourcing services can enable waste management companies to bring their wealth of experience of delivering similar contracts to innovate and drive performance upwards provided that the specification for the service is structured to facilitate this approach. Local authorities may not have the same level of experience of service delivery in-house as austerity measures have meant that in many authorities there has been a loss of staff with this level of expertise. However, there are opportunities for local authorities to include a 'cross skills' training requirement as part of a future contract, enabling local authority staff to develop over the duration of the contract.</p> <p>Outsourcing services can also include financial incentives for improvements to services, through the establishment of performance standards and targets for contractors to meet. However, the length of contracts can hinder innovation if potential changes are not included as part of the initial specification, without contract variation which can be costly.</p>

¹⁰ <http://www.noa.co.uk/files/129.pdf>

Westminster City Council is the local authority serving the heart of London. It has a resident population standing at approximately 234,000 but it is estimated that about 1 million people set foot in Westminster at some time during the day. The Council's waste and recycling services have been outsourced since the mid 1980's at the time when CCT was first introduced and political preference within the Council was for outsourcing.

Today the Council has the ethos of a commissioning authority with many back office services outsourced as well as virtually all front line services including waste collection, cleansing, and treatment and disposal contracts. The Council works in partnership with Kensington and Chelsea and Hammersmith and Fulham Councils (tri-borough agreement) to share services and drive service efficiencies. This arrangement will see an opportunity for Westminster's waste management services to align with the Partnership in 2032.

According to Jarno the current arrangement of working with Waste Management Contractor Veolia provides the Council a number of benefits, including market opportunities, managed risk (staff, vehicles, commercialisation etc.) and economies of scale. The relationship provides flexibility and the contractor can be nimble when responding to local challenges and demands.

Jarno emphasises that a successful contract relies on a good specification and relationship. The specification should be carefully considered and not allow any unnecessary risks or charges, and the relationship is determined both by the contractor but also a Council's approach to Contract Management. Local context and conditions are very important – it's like buying bread, the customer needs to understand what they like, what will suit their palette and what they can afford.

Jarno also cautions that an authority shouldn't have expectations that just because a decision has been made to outsource that savings will automatically follow. Savings will be driven by the specification, contract and ultimately the relationship. A contracted out service is currently right for Westminster City Council and the context they operate in, but there is no one size fits all solution. It needs to be suitable, affordable and delivered through a good contractor and internal management team – something that Westminster have.

Jarno Stet, Commercial Waste Services Manager, City of Westminster

5 To Outsource or Not - what are the challenges and options?

Before a local authority can decide to out-source or in-source a service they must decide what they want to achieve in terms of the services performance, cost profile and other key criteria, like flexibility etc. Only by knowing where they are currently in terms of these issues (baseline) and where they need to get to, can they then realistically decide on the approach to service provision and procurement.

A full service appraisal is needed to compare the options available to authorities when deciding whether to insource or outsource public realm services. To conduct such an appraisal to determine if a service or services are currently providing value for money, performing appropriately and achieving customer satisfaction and in the future may deliver better, there are three key approaches:

- Options appraisal;
- Benchmarking exercise; and
- Developing a ghost bid.

It is vitally important for all three approaches that the evidence / data used to support decision making is robust. For example, is the data being compared **like for like**, are all costs considered and accounted for (e.g. pensions, central service charges etc.). Have assets been allocated correctly (e.g. rents, vehicles and equipment)?

Often items within a budget book can sit across several different departments or directorates or be nominally allocated to one, for example the rent for a depot may sit wholly within a Grounds or Car Parks budget line and yet be an essential asset for waste management. Staff too can often be underestimated particularly if tasks only require a partial Full Time Equivalent (FTE). It's often difficult to determine how much of a central resource is used in comparison with what is paid for.

Unfortunately little evidence is available of authorities publishing evidence of an options appraisal for demonstrating best value, or to underpin key decision making. Although pre-procurement or decision making options may be reviewed these reviews may be light touch and the evaluation criteria utilised against which to assess them not published. Information may not be published for a variety of reasons, it may be commercially sensitive for example and prejudice someone's commercial interests therefore making it exempt from the Freedom of Information Act

Undoubtedly a standard reporting regime for best value decision making would benefit the transparency of how choices for insourcing or outsourcing a service are made.

“Prior to considering any change in the delivery of our services we carried out a comprehensive business case and options appraisal. We looked at a range of options including:

- *outsourcing all of our waste services*
- *outsourcing a particular element such as the recycling collection services*
- *do nothing*

The results of this process indicated that the best approach was to outsource a particular element of the service, which in our case was the kerbside recycling collection services.

The background to this work was that we hadn't benchmarked our service for a number of years and were keen to ensure that the service was not only economically viable but ensured business resilience and continuity.

We also looked at a number of procurement options, but eventually used the IESE National Waste Management Services Framework which delivered a smooth and speedy outcome. We held a bidders day in June and awarded the contract in December. Prior to starting the process we developed a realistic cost model and provided bidders with a pre-determined affordability envelope as part of the tender documentation. As a result of this exercise we can state that a major benefit has been a significant reduction in costs.

It is also worth pointing out that one of the lessons learnt was that early engagement with the market was extremely beneficial. It enabled us to be 'up front' with potential bidders and this early engagement helped ensure that the bids we received satisfied our ambitions.”

Larry Austin, Bournemouth Council

5.1 Options Appraisal

An Options Appraisal is described as “The process of defining objectives, examining options and weighing up the costs, benefits, risks and uncertainties of those options before a decision is made.”¹¹ According to the Improvement and Development Agency (IDeA) they enable local authorities to objectively and systematically evaluate the best way to achieve their desired outcomes / optimal solution. This is achieved by exploring the relative costs and benefits of a particular option and then comparing it fairly to how other options perform against the same set of evaluation criteria that have been developed.

Typically, an options appraisal is used to assist local authorities take the right decisions by ensuring that no policy, programme or project is adopted without first answering these key questions:

- Are there better ways to achieve the objectives?
- Are there better uses for the resources available?
- Is this the best way to achieve the desired outcomes?

An effective option appraisal should consist of the following:

- Define objectives;
- Develop options;
- Gather information;
- Assess options;

¹¹ Source: HM Government: Green Book

- Analyse options;
- Consult;
- Choose preferred option; and
- Report.

This process and the need to review this process regularly is shown in Figure 3. Consultation could occur at all stages of the process, but is displayed before the preferred option is selected for simplicity.

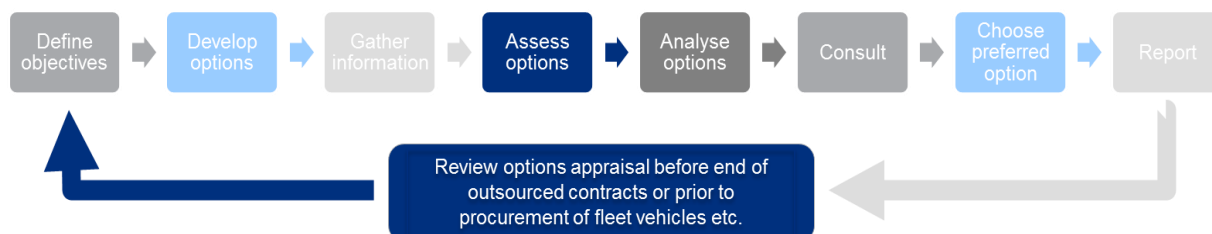


Figure 3: Options appraisal process and review requirements

The key benefit of conducting an options appraisal according to IDeA is that it maximises the chances of achieving a local authority's desired outcome / solution. It also ensures that a local authority:

- Achieves clarity on desired outcomes for their services.
- Has an objective, independent, transparent and open assessment that would stand up to internal and external scrutiny.
- Understands the nature and level of risk relating to the chosen option.
- Selects an optimal 'best value' solution.

In small projects, options are often considered informally, with decisions based on intuition and judgement. For larger projects, involving significant capital or revenue funding, a more detailed appraisal process is required in order to provide transparency to the decision making process.

5.2 Benchmarking

Benchmarking enables comparisons with similar local authorities on spending, performance and customer satisfaction. There are many varieties of benchmarking in the UK operating, including benchmarking 'clubs' of one kind or another which use a wide range of service-based cost and technical comparisons. These include those of the Society of Local Authority Chief Executives (Solace), the Association of Public Service Excellence (APSE) and the Chartered Institute for Public Finance and Accountancy (CIPFA). Also in this area are the 'communities of practice' established across a range of different services by the Improvement and Development Agency (IDeA), an agency of the Local Government Association (LGA), which has now been absorbed within the LGA, and the development of LGA's own 'INFORM' project. LG Inform brings together a range of key performance data for authorities, alongside contextual and financial information, in an online tool. Users can view data from over 1000 individual items, make comparisons between their authority and other local authorities or groups of local authorities, or construct their own reports bringing several data items together. Importantly, the data is updated quickly after being published at its source.

One of the main issues when considering benchmarking is that local authorities across England do not have common service structures.

Each local authority has the structure and service arrangements that it believes are the most appropriate and cost effective to support its local community, as a result it is often difficult to accurately compare services.

One issue that needs to be identified when benchmarking against other local authorities costs is that the service will be measured against the current service cost but not the cost of service delivery of a new contract. In addition much of the data on service delivery costs is held by the incumbent who may

not be forthcoming in providing the information for commercial reasons. This would make any cost comparison difficult to carry out with any degree of accuracy.

For in-sourced services, budget structure can make comparisons challenging, for example the rent associated with a depot or part of a depot, or central service costs. The longer a service has been in-house the higher the central service costs tend to be. For any comparison to be effective like must be compared with like.

Market testing can often be a useful exercise to engage with service providers and gauge their interest in the services. However, it is unlikely to provide any detailed costing information, as much of this information will be deemed commercially sensitive. One of the benefits of talking to the market however, is to gain feedback on potential service changes or performance targets, to provide a reality check on projected cost savings and also to understand what current good practice is across the country.

5.3 Ghost Bids

Local authorities can demonstrate 'competitiveness' by benchmarking, enabling the whole service area and associated costs to be evaluated. One way of demonstrating competitiveness may be by comparison with data from a 'ghost bid'. A ghost bid can either be undertaken whilst a contract is operational or during a procurement process. This would require intensive officer involvement as in the latter, the ghost bidder would need to be separate to the procurement team.

An alternative ghost bid approach is one which uses the expertise and knowledge of a reviewer experienced in tender submission and cost modelling (or team of reviewers) of operational and commercial practices to compare and benchmark spending or costs for services for a current outsourced contract. The ghost bid would be prepared on the basis of a contractor bidding against the current specification and preparing costs for the same delivery and outputs. A benefit of this approach is not only that it provides costs that can be measured against the costs that are presently being charged to the local authority, it also provides an opportunity to review the contract in detail. It must be stated, however, that the accuracy of the cost model will be dependent on the availability of cost data (typically TUPE type information) from the incumbent provider. In addition the local authority would need to provide accurate costs for the services that would be transferred in-house: salary and HR services; depot costs; fleet operational costs; operational costs; etc.

This contract review can highlight areas that are poorly written or specified and are leading to unnecessary costs to the local authority which, if they were amended the next time the contract is let, could lead to a more appropriate and cost effective service.

6 Risk and Reward

6.1 Risk transfer

The management of risk within a contract is vitally important to ensure that there is an appropriate balance of risk between the contractor and local authority. This is particularly true for any financial deductions linked to performance standards set out in the contract, the risk associated with these deductions is likely to be built into the contract price, and thus result in a higher contract value to be paid by the local authority.

Thus, developing a contract and understanding the associated risks is a key skill set and requires experienced staff to deliver an effective contract.

Similarly, ownership of materials is also an important consideration to consider for the recycle market. There are many examples where the contractor takes all of the risk associated with market prices, and volatility in the commodities market has meant that some contractors have been unable to continue to operate the service at the price negotiated.

6.2 What are the risks of outsourcing a contract?

The risks associated with outsourcing a service are outlined in the table below.

Table 5: Risks of outsourcing services

Risk	Outsourcing
Not achieving market interest	<p>An Authority should not assume that because it puts a service out for tender there will be market interest or more importantly cost effective market interest.</p> <p>It is vital that local authorities conduct some market engagement early on in the procurement process to ensure that the specification developed and contract is attractive to the market. This is vital to ensure interest and competition from potential bidders.</p> <p>A well-written tender, based on good market knowledge can deliver the competition in the procurement process can assist to drive the costs of the service down.</p>
The outsourced contract ends up costing the Authority more	<p>If no accurate cost of an in-house service are held then the Authority will not know whether the cost of the service tendered is value for Money. This risk can be mitigated through the preparation of a ghost bid if there is no internal bid as well as a competitive tendering process.</p>
Lack of flexibility to adapt to change	<p>Contracts are by nature complex and legally binding and often carry premium 'penalties' should a local authority wish to change the way in which a service is delivered once it has entered a contract</p> <p>Depending on the sophistication and 'forward looking' capacity (i.e. does it allow for service options) of the contracts pricing document, there may be fixed pricing arrangements which bind the local authority client into either set minimal financial arrangements or expensive contract variation clauses,</p>
Job losses	<p>Where an in-house service is outsourced, key staff are likely, due to TUPE, to be transferred across to the successful bidder, as the bidder will require locally based staff to deliver services.</p> <p>However, there is potential for loss of jobs within central functions in local authorities such as human resources and payroll where potentially large numbers of staff are TUPE transferred to the successful bidder, e.g. collection staff. However, if an integrated contract is outsourced, these posts may also be TUPE transferred.</p>
Skills deficit	<p>With the loss of staff to the successful bidder, there may be skills gaps particularly operationally for the local authority to consider.</p>
Service Failure	<p>There are a number of risks an Authority needs to consider regarding service failure:</p> <ul style="list-style-type: none"> • They Authority should ensure that any service provider has a robust contingency plan. • The contract has an appropriate payment mechanism linked to a performance framework that makes deductions for poor performance. • The Authority should be mindful that a contract that is delivering poor quality may result in a difficult, lengthy and expensive termination process. It should therefore ensure that it has adequate measures in place for termination and compensation. • The Authority needs to be aware that when awarding a contract it does not necessarily retain the lowest bidder since that contractor could be in trouble and be desperately seeking additional business just to stay afloat and may not be successful.

Risk	Outsourcing
Difficult integration between contractor and service provider	The Authority should ensure that the services and systems provided by the contractor are capable of integrating easily with their systems as if they do not it might require, in some cases, considerable customization of the services and systems.

6.3 What are the risks of insourcing a contract?

The risks associated with insourcing a service are outlined in the table below.

Table 6: Risks of insourcing services

Risks	Insourcing
Lack of staff experience	<p>Lack of operational experience of operational service management. As a result a local authority may need new staff and a larger number of officers. TUPE transfer of key staff may have a role to play. A challenge in bringing the service back in-house is that when the contractor moves on they take their specialist skills and best staff with them. This can lead to major gaps in skills and capacity.</p> <p>Other central functions may also need additional staff (e.g. payroll and HR) to deal with significantly increased number of staff (all operatives would become local authority employees).</p> <p>Contract management is key even where a DSO is delivering the service. Without a suitable system of management and challenge an authority may not provide year on year improvements to performance, cost and efficiency.</p>
Pension costs	Not allocating pension costs to the overall budget for the service and underestimating the increasing year on year costs.
Limited contingency arrangements	<p>Limited contingency arrangements – what mitigations / contingencies (in respect of resources that can support the mobilisation) can the local authority introduce at the point of transfer to guarantee service delivery?</p> <p>The local authority is likely to have minimal supplier relationships for key assets: vehicle suppliers; vehicle hire companies; agency staff suppliers; etc.</p>
Contract bidding	The Authority will have to ensure that any staff involved in any in-house bid (as part of a procurement process) are distinctly separate from those involved in the procurement itself to avoid potentially costly legal challenges. This may require additional staff resources
Mobilisation	<p>The Authority should be aware that it may have to adapt to a changing environmental and political agenda.</p> <p>The in-house team may have little or no knowledge of contract mobilisation. This is an intense, multi-disciplinary process over an average six month period. The local authority will need to be confident that they have the staff and skills to project manage a significant transfer of staff.</p> <p>Typically local authorities have experience of the TUPE transferring of staff 'out' or between outgoing and incoming service providers. Experience of TUPE transferring staff back in-house is less common.</p>
Skills gap	Bringing the service back in house may identify a skills gap and result in cost and time implications for Staff training and mentoring. Examples of training and mentoring that may be required includes routes or schedules, for the provision of waste management and other services.

Risks	Insourcing
Infrastructure investment	Where a local authority has outsourced the contract for a number of years, there may be a requirement for significant investment in waste transfer stations, vehicles, and equipment.

“When in-sourcing councils need to consider a whole raft of issues around skills and risk transference, whole life costs, back office support/central support services costs, and then there’s the pension question, does the authority have a Two-Tier workforce with transferring staff on a lower pension rate than other council staff? Or do you have a Single Status workforce with the council paying 20-30% pension cost per employee? On an average 3 million pound per year contract this can equate to as much as an additional £250,000 per annum on top of a private sector cost if all the staff transfer to the council’s superannuation scheme.

Local authorities also need to ask some searching questions of themselves like: do our current officers have the necessary skills to manage a large blue collar organisation? Can the council tolerate movement in recycling and fuel prices? How will they manage sickness levels, does the Council have the necessary infrastructure to manage the ever increasing legislative burden surrounding Health and safety, employees, vehicles etc.

While some local authorities of course have the necessary skills and the appetite for risk transference many don’t. I believe the private sector will always have a place working alongside our public sector colleagues.”

Roger Edwards, Managing Director, Municipal Division

7 The importance of good contract management

To ensure that the contract performs effectively, contract management is critical. This is true whether the contractor relationship is with a DSO client team or waste contractor. A partnership approach is important to ensure the contract can be delivered successfully, and adversarial relationships should be avoided.

One approach to contract management is to develop Service Level Agreements (SLAs) which enable the Authority to monitor and control the performance of the service received from the supplier (either internal or external) against agreed standards. They should be unambiguous and understandable by all parties.

Internal SLAs are unlikely to have legal consequences since the Authority is both the customer and the supplier are part of the same legal entity. External SLAs for outsourced services are likely to have contractual implications. Setting out the contract management approach (the specification) in the contract documents is vital therefore. Its purpose is to present to potential suppliers a clear, accurate and comprehensive statement of the Authority’s Requirements in order that they can propose solutions to those needs. The solutions are normally in the form of a Method Statement or Service Delivery Plan. The Method Statements should enable an Authority to readily evaluate offers, provide the basis for performance measurement and be a record of evidence in any dispute.

Any measurement of performance should ensure that the actual metrics selected are not over-specified, that they are, as far as possible, readily obtained from the direct performance of the contract and that they are focused on issues such as

- Cost and value obtained;
- Performance and customer satisfaction; and
- Delivery improvement and added value.

Once chosen, performance measures should be the primary focus for contract management

Contractual arrangements are likely to bind the Authority to its supplier(s) for some time and to varying degrees of dependency. The importance of making the relationship work successfully is imperative. It is therefore important to develop mutual trust and understanding, whilst creating an open and constructive environment with both parties contributing to the joint management of the contract delivery.

The Chartered Institute of Purchasing & Supply in their Contracts Management Guide¹² identify a number of factors that they believe can inhibit the development of a successful relationship such as:

- Frequent and rapid recourse to the formal contract to overcome problems;
- Clashes in cultures which are so disparate as to prevent the creation of the level of trust and confidence required; and
- Reluctance by the supplier to cooperate in value for money or benchmarking tests conducted by the organisation.

They also highlight measures that can encourage the development of a successful relationship, which include:

- Securing senior level support in both organisations;
- Recognising that actions and attitudes affect the tone of the relationship;
- Ensuring that the governance arrangements are fair;
- Ensuring that relationships between the parties are peer-to-peer as far as possible;
- Ensuring that roles and responsibilities are clearly understood by both parties and that the necessary authority levels have been ascribed;
- Ensuring that escalation routes are clear and understood but that problems are resolved as early as possible and as low down the management tree as possible;
- Separating strategic matters from the day-to-day service delivery issues;
- Ensuring that appropriate attitudes and behaviour are practised and displayed to assist the promotion of a positive and constructive relationship; and
- Communicating and sharing information at the appropriate level between the organisation and the supplier.

8 Conclusion and recommendations

Local authorities in England are more likely to have out-sourced public realm service delivery compared to Scotland and Wales, but the results also highlight that on the whole there has been little change in the overall level of outsourcing between 2005 and 2015, with the most significant change seen in HWRC service delivery, for which there has been an increase in this service being outsourced. The results also show that street cleansing and ground maintenance services are more likely to be delivered in-house than waste services.

There have been some high profile recent examples of in-sourcing of public realm services such as Liverpool City Council, that have dominated the trade press in the last six months leading to a perception that more local authorities are in-sourcing services. This perception has not been evidenced in current figures.

There are a range of mechanisms available to local authorities to deliver services, and there are many examples of these being used already, but we may see more in the future, for example, joint ventures, partnership working with other local authorities, or Teckal exemptions.

Clearly, given the level of ongoing budget cuts, local authorities are under pressure to save more money each year. As a result, conducting reviews of public realm service delivery is key to identify potential to drive efficiencies in service delivery not only in terms of economic performance, but also in terms of environmental and social aspects. These reviews should consider all in-sourcing and out-sourcing options for each service on a case by case basis.

¹² http://www.cips.org/documents/CIPS_KI_Contract%20Management%20Guidev2.pdf

The key aspects for local authorities to consider are:

- Understand priorities and what the key drivers;
- Determine the local authorities risk position and what could be flexible.
- Challenge the performance of your current service(s):
 - *Is the service achieving best value? If so how is it measured?*
 - *Is the service benchmarked regularly against previous years as well as other similar services? Are the services used to benchmark performance appropriate? Are you comparing like with like?*
- Conduct an appraisal of different mechanisms for service delivery, covering all in-sourcing and out-sourcing options:
 - *Ensure that the evidence/ data used is robust.*

The key for local authorities is to have a robust and **transparent** process that is documented to evidence the review of existing services, and options appraisal process, in order to inform future service delivery. As highlighted by the National Contractors Forum and emphasised by ESA members, no favours in the procurement process are sought for bidders, just that the competition is fair and transparent.

There is no right or wrong approach to service delivery. Local circumstances, previous performance, experience and the political ideology of the Council will all effect the likely approach adopted in any one authority. What's required is a more transparent, consistent, timely and thorough approach to service monitoring, benchmarking and performance assessment that will enable authorities to make more robust decisions on what approach to adopt. A best value approach.

There is no doubt we will see a number of high profile authorities deciding to bring services in-house in the coming 12 months, but this will be offset by an equal number who decide to test the market to drive efficiencies to help off-set budget cuts.

This report has indicated that there is little evidence of local authorities publishing the evaluation methodology used to support their assessments under the Best Value regime, or indeed the robustness of the assessments completed. Therefore, the inclusion within the recent budget of a consultation on new rules requiring local authorities to be transparent about the cost of the in-house services is welcome, and provides an opportunity for standard reporting to be adopted ensuring that a consistent approach is used in conducting assessments under the existing Best Value regime or its equivalents in Wales.

The situation will need to be reviewed each year, and the experiences of those authorities reflected on, to provide local authorities across the UK with greater insight, comfort and data from which they can make their own decisions locally. Effective service provision is key for local authority cost-efficiency, and these decisions should not be taken lightly. We hope this study will help authority officers and their elected members to make those robust decisions.

“This report shows that the perception of local authorities moving services in house wholesale is just that, a perception. As with a lot of issues related to the delivery of public realm services a large number of factors dictate how services are provided and in what form.

The large reduction in budgets means local authorities are having to constantly review their services and evolved how they are delivered. The private sector has a key role to play in this but to do so will need to review and evolve their offer to councils. Greater flexibility within contracts will be needed to cope with changing markets and budget cuts. This flexibility needs to come from both the councils and the private sector if it is to work properly, with councils potentially changing how they procure services and becoming more innovative in this area.

Local authorities will need to ensure their decision making is based on robust data and criteria. This can genuinely lead to having in house service delivery, which will be appropriate in certain circumstances. There is a place for a variety of service delivery models and the one used will be dependent on local circumstances, showing as in other situations, one size does not fit all.”

Lee Marshall, CEO, LARAC

“Bevan Brittan LLP welcomes the issue of this report. As the public services law firm we have “hands on” experience of many of the commercial, risk and legal issues raised in the report and which local authorities are facing in the delivery of waste management services.

The financial pressure on the local authority “purse” has meant that local authorities are closely assessing how waste management services are being delivered in their locality – where they have been evaluating how the same (if not a better) overall service can be delivered for a lower cost.

We have not identified a consistent pattern developing in the market in recent years and accordingly there is “no one size fits all”. We have seen an increasing use of Teckal models, outsourcings (both first and subsequent generation) and some insourcings. A trend which we anticipate continuing to grow is the use of Teckal vehicles for the delivery of waste management (and other facilities management type) services both back to the locality, as well as to other local authorities.”

Nadeem Arshad, Partner, Bevan Brittan LLP



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