

# The Benefits of Insourcing

Existing evidence, the quantitative survey, examples of insourcing and case studies have revealed a number of benefits that stem from returning services in-house. These include:

- Improving efficiency and reducing costs
- The ability to integrate a range of services
- Enhanced flexibility
- Minimising risk
- Regaining control
- Reducing cost and time spent managing contracts
- Boosting local engagement and accountability
- Greater staff motivation and improved service quality
- Maintaining expertise and capacity

## Lessons learned

A number of messages emerged clearly as lessons to be considered when insourcing.

Analysis of the research evidence showed that undertaking a thorough 'options appraisal' and taking time to reach decisions and implement them is important at the outset. Early involvement of staff and trades unions is vital to successfully returning services in-house. Bringing services back in-house has been a chance for authorities to redevelop internal expertise and capacity at the end of a contract. It can be linked to new smarter working to eliminate waste and design services efficiently around user needs.

Local accountability and resident engagement has benefited from councils that have insourced by having readily identifiable in-house teams providing highly visible services. Insourcing can therefore have a value in terms of council reputation as well as delivering positive outcomes.

## Conclusions

Our findings from the latest research on insourcing conducted by APSE show:

- The case for insourcing has grown even stronger since APSE's Insourcing guide was published in 2009.
- Councils of all sizes, locations and political control are continuing to bring more services back in-house.
- Intense budgetary pressures are acting as a key driver in insourcing.
- Insourcing is viewed as a flexible means of delivering services within the difficult and dynamic context in which local government is operating.
- Environmental services are the most likely to be brought back in-house, followed by housing, but a broad range of services are being insourced nationally.
- Councils are finding that insourcing contributes towards: accountability; flexibility; efficiency; cost effectiveness; service improvement; strategy and synergy; added value; risk minimisation; and workforce morale.
- Staffing issues are a vital consideration when insourcing and lessons learned from case studies show that consultation and communication is a key factor when returning services back in-house.

*Part of a Report by APSE June 2011*

The full report can be read [here](#)

**THE FIRST OF THE FOLLOWING TABLES SHOW EXAMPLES OF MONEY SAVED BY BRINGING SERVICES BACK IN-HOUSE. THE SECOND ONE SHOWS MONEY WASTED BY OUTSOURCING.**

## Saving Money: Examples of efficiency savings and service improvements from services being brought back in-house

Public Authority	Details
Newcastle City Council	An in-house, four year transformation programme has now delivered £24 million savings, more than was originally hoped for. Performance is improving significantly in all areas and savings are forecast to rise to £30 million.
NHS 24	In 2008/09 NHS24 set out their plan to save £269,000 by bringing the delivery of training back in-house.
Tonbridge and Malling District Council	By bringing the homelessness and housing register service back in-house and by adopting a more preventative approach to homelessness, the authority will reduce the numbers requiring bed and breakfast accomodation, thus ensuring cost and efficiency savings.
Walsall MBC	A £650 million project requiring transfer of 1,500 staff to a private IT services company was abandoned in January 2006 at the preferred bidder stage. A council spokesman stated "strong service improvements" had been achieved by the local authority in the past few years, and it is now better placed to meet the needs of local people without the joint venture."
NHS England (Independent Sector Treatment Centres)	In 2003 the Government commissioned 36 Independent Sector Treatment Centres (ISTCs) to add extra surgery beds to simple, routine operations. Most, though not all, of the ISTCs are privately run. Department of Health figures show that ISTCs cost 11% more per operation than beds provided in the public sector and bed occupancy falls as low as 78%, far below the NHS which is well over 90%.
Cheltenham Council	The council had contracted out the management of its sport and leisure services to a private contractor. In November 2002 members of the council unanimously approved the decision to bring the contract back under the control of the council from April 2003. Cllr Duncan Smith, chair of Overview and Scrutiny, commented: "The record of the current contract has been examined and found wanting..."

## The cost of privatisation: Some examples of money wasted by contracting out of services

Public Authority	Details
Bristol City Council	In 2009 a failed bidder for a private finance initiative project to build a new £21m leisure centre in Bristol was paid £8000,000 by the Local Authority so that building could begin. The failed bidder threatened to sue the authority over its unsuccessful bid because some of its proposals that were rejected featured in the proposals from the winning bidder.
Lambeth Council	In 2000 Lambeth Council were forced to spend £1.5m. to take back control of its housing benefits operation from a private contractor, who had failed to clear a 48,000-claim backlog and left some residents facing eviction.
Brighton Council	Brighton Council had to pay PFI contractors £4.5m in 2005 when Comart Media and Arts School closed pupil numbers had dwindled and the local authority has had to pay in order to buy out the PFI contract.
NHS Wales	The privatisation of home supply to patients in Wales cost £6m. a year — three times the price that was originally estimated. Confusion in switching the supply of oxygen from local chemists to a private contractor resulted in the NHS paying more for the service.
Dundee University	A new university hall of residence was constructed for Dundee University, as a joint venture with a private sector operator. The halls failed to attract sufficient students and the JVC recorded losses in sequential years of £400,000 and £1.3 million. The university has had to provide funding to the company from its own revenues.
Bedfordshire Council	A business services contractor won a 12 year 3,267 million contract with Bedfordshire Council in 2001 to modernise support services. After a number of changes in ownership of the contractor service performance declined. The final straw was an accounting problem that prevented the council from filing its accounts for 2003/4. In September 2005 Bedfordshire Council paid £7.7 million to terminate its 12 year contract after just four years, bringing 546 staff back in house.

*These tables are taken from a UNISON branch guide 'The Case for in-house services'*

## Conclusion

One of the assumptions which encourages privatisation is the idea that it transfers the risks of providing a service away from the tax-payer. This theory is flawed as any business will only be successful if it can transfer the risk to their customer in this case the local authority so ultimately the tax-payer. All this while the local authority still has ultimate responsibility for the overseeing the contract which includes staff.

'[Section 52 guidance in Scotland](#)'. This guidance covers all contracts where local authority staff may transfer or where workforce and employment issues are relevant to performance of the contract, and local authorities have a duty to have regard to it. Local authorities whose behaviour is not consistent with the guidance will have to defend their position given the duty to have regard to the guidance.

Privatising Aberdeenshires 'Design, Photography & Print Service' is based on the achievement of value for money. This has already been achieved in respect of Printing and will be impossible to achieve for Design & Photography while this service appears to be free to the user.

**IF THIS ATTITUDE COULD BE CHANGED THERE WOULD BE NO REASON TO PRIVATISE IN THE FIRST PLACE?**

*Report compiled by Morag Lawrence, Graphic Designer, Aberdeenshire Council*