

12 December 2018		ITEM: 13
Decision: 110490		
Cabinet		
Review of Outsourced Service Provision		
Wards and communities affected: All	Key Decision: Key Decision	
Report of: Councillor Shane Hebb, Portfolio Holder for Finance		
Accountable Assistant Director: Stefanie Seff, Strategic Lead, Procurement		
Accountable Director: Sharon Bayliss, Director of Commercial Services		
This report is Public		

1. Executive Summary

At the Council meeting of 27 June 2018, Councillor Tim Aker MEP, Member for Aveyley and Uplands raised a motion as follows:

“This Council calls on Cabinet to commit to looking at each private contract and assess whether, or not, it could be fulfilled locally and begin a process of bringing private contracts back in-house as soon as possible so that the Council can maximise the benefits for Thurrock rather than multi-national corporations.”

Following discussion, the motion was carried by majority vote (25 to 14) and this report provides the formal response to the query. It should be noted that Members in support of the motion commented that *“not all services should be in-house – but that all options should be available and be presented fairly”* (Councillor Spillman) and that this review would *“ensure best value was being maintained for residents and had the best interest for local businesses and the environment”* (Councillor Kent). As Portfolio Holder, Councillor Hebb concurred with Councillor Kent and confirmed that steps had been taken to ensure that all Council services were commissioned in a way that established best quality and value for Thurrock.

National (and EU) legislation controls how the public sector procures goods, works and services in the provision of their statutory responsibilities. Within these boundaries, officers carry out rigorous options appraisals to determine the best course of action, including whether services should be delivered in-house or through a third party (outsourced), and in what arrangement or package – which then influences the size of contract and suitability for smaller or larger organisations.

Overall, it is felt that the balance of in-house v. outsourced is right, with currently 60% (of the number of) services delivered by Thurrock Council, 24% by local

businesses or small organisations and only 16% by larger national companies. Perhaps understandably, the 16% is concentrated on high risk, high value services however, such as housing developments, housing repairs, large engineering projects and dispersed social services such as placements for looked after children and adult social care.

This report provides a detailed response and demonstrates the current balance of services; how Thurrock is working to support local businesses and the voluntary sector to improve their access to contracts; and the background setting out the Council's responsibilities for procurement.

Recommendation(s)

1 Cabinet is recommended to review the response to the motion raised by Cllr Aker MEP and agree if the current and planned actions set out within the report are sufficient.

2. Introduction and Background

2.1 The motion raised by Councillor Aker MEP at Council on 27 June 2018 brings about the following key questions:

1. What is the balance of in-house v. outsourced services delivered by Thurrock Council?
2. Are larger organisations getting too much benefit from the Council's spending power?
3. Could the Council do more to support local businesses and the voluntary sector?

These questions are answered in Section 4 of this report.

2.2 The Public Contracts Regulations 2015 – which is the UK's statutory interpretation of EU Procurement Rules, and the Council's own Constitution Contract Procedure Rules (Constitution Part 9 Chapter 2) sets out clear rules and guidance for the procurement of goods, works and services. Both of these are based on an assumption of competition to deliver best value.

2.3 These rules as set out do require the Council to consider price and quality together, in terms of whole life cost (across the length and scope of the contract), but also in a way that enables officers to make a judgement on the likely quality of the service to be delivered, using performance evaluation criteria against which bidders provide responses, and have to be marked objectively. To an extent, this favours organisations who are experienced in tendering for services, and have "bid writing" experts – so likely to be larger in size. There are a number of actions that officers are currently undertaking to address this balance as far as possible, as set out in Section 4.

2.4 Overall, the Council has a duty to use public funds wisely; whilst ensuring that local businesses are not unreasonably disadvantaged. Officers endeavour to

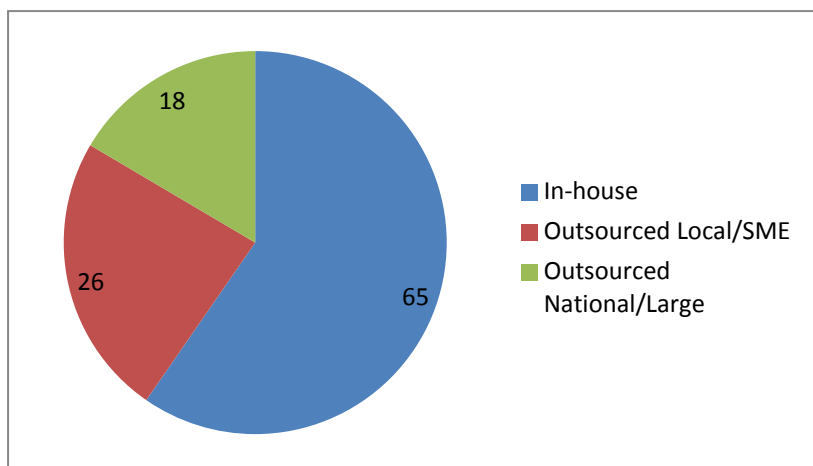
seek a balance in what is provided and each prospective service is considered on a case by case basis, during the contract management phase, or indeed when nearing contract end.

3. Response to Issues Raised

3.1 Q1: Balance of In-house v. Outsourced Services

- 3.1.1 As already stated, Council services are reviewed regularly in terms of performance against outputs and this is more defined for outsourced provision where there is an identified contract management process recently introduced in Thurrock that is currently being rolled out across directorates.
- 3.1.2 Where outsourced arrangements perform well and deliver good value, it is likely that these will be re-tendered for future provision, unless there is a significant change (downturn) in the market – eg. a number of providers failing financially, or fundamental change in the requirement that means that in-house expertise is better placed to deliver.
- 3.1.3 If providers fail mid-contract, or there is agreement between the Council and the contractor that continuing with an outsourced service does not deliver best value to either party, then the Council will bring (and has done so) services back in house. Recently this includes some home care services and the Healthy Lifestyles contract.
- 3.1.4 In some cases an in-house service will be considered for outsourcing through an options appraisal; however this is rare and would only happen if a service is failing or significantly more expensive than could be provided by a third party. There are no recent examples of this.
- 3.1.5 Regarding current performance, 65 (60%) individual Thurrock Services are delivered directly by the Council, with 26 (24%) outsourced to local suppliers and smaller businesses (SMEs), leaving 18 (16%) delivered by larger organisations. A full breakdown is provided at Appendix 1 to this report.

Delivery Split of Individual (Number of) Services across Thurrock Council 2018



3.16. With regard to larger contracts, below is a sample summary of the more significant savings that were generated as a result of procurement exercises during the last four years. The savings that are presented are based on cost of service at the same volume and standard or pre-tender estimates with regard to programmed works.

Service Area	Service	Procurement Year/s	Annual Savings £	Savings %
Housing	Gas Servicing Contract	2014-15	£330K	35%
Housing	Water Mains Replacement Programme	2015-16	£200K (4 year programme)	50%
Corporate Property	Building Cleaning Contract	2015	£50K	10%
Public Health	Adult Substance Misuse Services	2016-17	£155K	12.5%
Public Health	Healthy Families Contract	2016-17	£1.25M	25%
Public Health	Integrated Sexual Health	2017-18	£160K	7%

It should be noted that the Water Mains Replacement Programme contract was won by a local SME and the Healthy Families Contract lies with our local NHS organisation NELFT.

3.2 Q2: Fair use of Thurrock Council's Buying Power

3.2.1 Officers monitor spend with local (based in Thurrock) suppliers. For 2017-18 c. £21M was spent locally – which amounts to approximately 12% of total third party spend. Care agencies, voluntary sector organisations, transport companies and SME building firms feature highly in the local spend analysis. Current projections show an improved local spend figure for 2018/19.

3.2.2 Whilst it is therefore correct that direct spend for larger contracts is mainly with organisations based outside of Thurrock, these companies do employ significant numbers of Thurrock residents, and utilise local suppliers within the supply chain.

3.2.3 Performance for the larger Housing Contracts includes measurement of local spend with suppliers and subcontractors. Whilst these companies are large nationals, the local spend and employment figures are significant.

Contract	Local Spend 2017/18	% of Supply Chain that is Local	% of Operatives resident in Thurrock
Responsive Repairs – Mears	£1.24M	100%	50%
Transforming Homes Programme (Wates and Keepmoat/Engie for 2017/18)	c. £5M	50%	52%

3.2.4 Commercial Services is currently looking to expand these measurements across the Council, so that reporting can be provided for new build contracts and other significant services.

3.2.5 All procurements give proper consideration to application of the Social Value Act 2013 to ensure maximum benefits are available to the local community, economy and environment. Bidders are asked to provide proposals showing how they can provide “added value” aligned to Thurrock Council’s Social Value framework, and their response is used as part of the evaluation criteria. Benefits to Thurrock have and do currently include:

- Employment, training and apprenticeships
- Support of community projects such as provision of communal gardens
- Refurbishment (at no further cost) of communal facilities
- Volunteering days and provision of opportunities for local volunteers to develop skills which can support their moving into work in the longer term

3.3 Council Support for Local Businesses and the Voluntary Sector

3.3.1 For procurement exercises valued under £75,000 officers run a closed “quote” process in accordance with the Contract Procedure Rules. From 2018/19 we have been ensuring that wherever possible a locally based firm is included within every quote process to maximise opportunities.

3.3.2 Contract packages (size, combination of services etc) are designed to maximise overall benefits whilst not disadvantaging local or smaller organisations. Where appropriate, contracts are tendered in “lots”, thus allowing smaller bidders to seek to deliver an element of the overall service, rather than all of it.

3.3.3 Local Contractors Besure Building Services and HW Wilson are notably successful with Thurrock Council contracts, delivering a number of services,

including the Water Mains Replacement Programme and the Civic Offices Refurbishment respectively.

3.3.4 To further support local business officers are currently running training programmes targeted at local contractors and SMEs. The recently launched “What Makes a Winning Bid” half-day programme is intended to better equip smaller suppliers with an understanding of public sector procurement processes, associated documentation and an outline of the overall procurement process. Three courses have been held to date, with very positive feedback from participants from both the private and voluntary sectors.

3.3.5 Additionally, officers have committed to carry out more early market engagement where appropriate. This would take the form of consultation days where prospective bidders are invited to the Council to discuss contract outcomes and achievability, or simply as networking opportunities where smaller organisations can meet with larger companies with a view to delivering services in partnership or sub-contracting arrangements. This would benefit local businesses, SMEs and the Voluntary Sector.

4. Reasons for Recommendation

4.1 This report is submitted to Cabinet in response to the motion raised by Cllr Aker MEP at Council on 27 June 2018.

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 The team frequently seeks cross directorate feedback on procurement processes and support for local businesses; regular discussions are held with Community Development regarding maximising opportunities through Social Value. Additionally Thurrock CVS is included in the consultation process, including in the development of the “What Makes a Winning Bid” programme.

6. Impact on corporate policies, priorities, performance and community impact

6.1 Delivery of successful outcomes through procurement of high quality, cost effective services has a significant impact on all of Thurrock Council’s priorities. Specifically, the Council’s application of Social Value through the procurement process and the “What Makes a Winning Bid” training course supports the Prosperity ambition.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Assistant Director, Finance

- 7.1.1 In the event that a contract is brought back in-house with a short notice period, there will invariably be an initial additional cost to facilitate the transition. However, this is then reviewed as part of the longer term strategic and operation objectives of the service to ensure that best value is achieved.
- 7.1.2 The Council is required as part of its statutory obligations ratified by external audit to meet essential value for money criteria, and therefore the make-up of service delivery is an essential part of this. The Council makes a conscious decision to ensure that services are delivered in the most cost effective way, whilst taking into consideration all of the other local economic and environmental considerations.
- 7.1.3 In the event that a more favourable in-house delivery option can be identified, for example Waste collection, the council is committed to providing the necessary Capital and Revenue investment through its medium term financial strategy.
- 7.1.4 Where the Council is required to intervene as the result of a failing contract, or unforeseen economic factors, the immediate priority is to ensure that service users face as little disruption as possible, whilst longer term delivery options are then evaluated.

7.2 **Legal**

Implications verified by: **Kevin Molloy**
Solicitor

- 7.2.1 I agree that this Report contains an accurate summary of the legal obligations upon the Council in its procurement of goods and services.

7.3 **Diversity and Equality**

Implications verified by: **Rebecca Price**
Community Development Officer

- 7.3.1 This report outlines the work that is being undertaken to improve access to contracts for both local businesses and the voluntary sector. The Council has adopted a social values framework and supporting strategy in consultation with the voluntary, community and faith sector to support the sustainability of the sector, SME's and microenterprise specifically.
- 7.3.2 Further opportunities for eligible applicants to take over the provision of a Council service/s (including community and voluntary sector organisations) are set out in the Localism Act 2010 - Community Right to Challenge provision. The focus of the Community Right to Challenge is to hand more power back to communities, allowing voluntary and community groups, parish

councils and local authority staff to express an interest in taking over the running of local authority services, making services more responsive to local needs and delivering better value for money. Local process and supporting guidance relating to the Community Right to Challenge, eligible applicants and exclusions, is available on the Council's website.

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

7.4.1 None specific

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

None

9. **Appendices to the report**

Appendix 1: In-house v Outsourced Service – Directorate Analysis

Report Author

Stefanie Seff

Strategic Lead Procurement

APPENDIX 1: IN-HOUSE V OUTSOURCED SERVICES –DIRECTORATE ANALYSIS

A table per directorate is presented that summarises

	Colour Code
Work delivered in house	Green
Work outsourced but provided by a local company, third sector organisation or SME	Purple
Contract is currently being reprocured	Pink
Work outsourced but provided by a larger organization	Light Blue
Activity that is currently outsourced but work is underway to bring in house	Orange

HIGHWAYS AND ENVIRONMENT

Service	Sub Area	In-House or Contracted	Contractor Name	Contractor Type (Local/SME)	Contract Value	Contract Ends
Environment And Enforcement	Commercial Waste Collection & Disposal	In-House				
	Street Services – Street Cleansing & Grounds Maintenance	In-House				
	Specialist Grounds Maintenance – Arbs/Burial/ Sports & 3 rd Party Works	Contracted	Various	Mainly SMEs	Low	Various
	Household Recycling Centre (Linford)	In-House				
	Parking	In-House				
	Environmental Enforcement	Mix of In-House and Outsourced	Kingdom Security	National	Low – Medium mainly covered by fines	December 2020
Highways, Transport & Logistics	Fleet Management and Fleet Maintenance	In-House				
	Transport	Mainly outsourced, some in-house provision	Various	Taxi companies, bus companies mainly local	Various spend	Main Education Transport July 2019 - others various
	Transport Development	In-house				
	Winter Gritting	In-house				
	Highways Reactive Maintenance	In-house				
	Highways Infrastructure Major Schemes	Contracted	Henderson and Taylor	Private Sector non SME	£40m	31/3/2021 + 2 years
	A13 Widening Works	Contracted	Kier	Private Sector non SME	£38.6M	30/9/2019
	A13 Widening Design	Contracted	Atkins	Private Sector non SME	£1.5M	30/9/2019
A13 Utilities/Specialist Elements	Contracted	Various	Private Sector non SME	£850K total across 5 contracts	31/3/2020	

PLACE

Service	Sub Area	In-House or Contracted	Contractor Name	Contractor Type (Local/SME)	Contract Value	Contract Ends
Regeneration	Economic Development & Regeneration	In-house				
	Heritage Arts & Culture	In-house service, theatre productions and some events are contracted	Polka Dot Pantomimes and various as required	SMEs	Various, most are income generating or cost neutral	Polka Dot 3 years to 2021 others mainly one off
	Housing & Development/Gloriana	In-house client				
		Contracted Architects/Technical	Various	SMEs	Various	Ties into development
		Contracted Housing Developers	Various, incl Roof, United Living etc	Private Sector non SME	£5M plus per contract	Various end dates
Property	Corporate Property	In-house				
	Building Cleaning Window Cleaning	Contracted	Servest Hi-Spec	Non SMEs	£2 M £138K	30/6/2019 30/6/2021
	Repairs and Maintenance Services	Contracted	Various, using Housing Contracts	Mix of SMEs and non SMEs	Various	Various
Planning & Growth	Development	In-house				
	Building Control	In-house				
	Strategy & Growth	In-house plus some specialist contractors	Various planning specialists	Mainly SMEs/Sole Traders	Very Low	Various
	Land Charges/Support Services	In-house				
	Business Improvement	In-house				
	Public Protection	In-house				
	Registrars	In-house				
Lower Thames Crossing	Consultancy Advice	Contracted	Peter Brett Associates	SME	£320K	30/4/2020
Purfleet Regeneration	Development	Contracted				

CHILDREN'S SERVICES

Service	Sub Area	In-House or Contracted	Contractor Name	Contractor Type (Local/SME)	Contract Value	Contract Ends
Brighter Futures	Children's Centres	In-House				
	Healthy Families	Contracted	NELFT	NHS Provider	£21M	Up to 31/8/2022
	Early Intervention Support	Contracted	Various inc SERICC, Coram, Changing Pathways	SMEs / Voluntary Sector	£2M	31/12/2020
Youth Services	Youth provision	In-House				
	Careers Advice	Contracted	UK Career Academy	National	£59K	31/3/2019
Placements for Looked after Children		Mix of In-House				
	Foster Carers	and Contracted	Various – currently under procurement	Various	£10-20M	Work is currently underway to increase in house provision
	Residential Care	Contracted	Various – currently under procurement	Various	£1-5M	Tbc
	Supported Accommodation	Contracted	Various – currently under procurement	Various	Tbc	Tbc
	Family Assessment Centres	Contracted	Various – currently under procurement	Various	Tbc	Tbc
Care Services	Social Work core service	In-House				

Service	Sub Area	In-House or Contracted	Contractor Name	Contractor Type (Local/SME)	Contract Value	Contract Ends
	Specialist Assessments	Contracted	Children's Services Network plus spot purchases	SME	£80K	31/3/2019
	Disabled Children's Service	In-House Social Work				
		Sunshine Centre In-House				
		SEN Placements and Short Breaks	Allied Healthcare, Hamelin Trust, various schools	Mix – National Provider, local trust, schools	Short Breaks c. £750K annual Schools vary	Short Breaks 31/3/2019 Schools - annual placements
Education	Assets	In House Client				
		Consultants and Contractors are External	Various	depending on size of project	Various	Various
	Education Psychology	In House				
	Catering Services	In House Service				
		Contracted Provisions and Repairs/Maintenance	Various	Various, inc SMEs, local and LB Havering	Various	Various

ADULTS, HEALTH AND HOUSING

Service	Sub Area	In-House or Contracted	Contractor Name	Contractor Type (Local/SME)	Contract Value	Contract Ends
Adult Social Care	Social Work Core – In House					
	Domiciliary Care	Mix of in-house				
		and contracted (Living Well at Home)	John Stanley, Castle Rock Guardian	Local Base	£30M	31/3/2021
	Meals on Wheels	Contracted	Royal Voluntary Service	Charity	£280K	31/3/2019
	Collins House (in-house residential care)	In-House				
	Careline	In-House Service				
	Single Point of Access	Joint with NHS				
	Occupational Therapy	In-House Service with SW				
		Equipment Contracted	Essex Cares Ltd	ALMO from Essex CC	£5M	31/3/2019
ASC Commissioning	In-House					
Community Development	Libraries	In-House Service				
	Community Development Service and Equalities	In-House Service				
	Community Hubs	In-House Support				
Public Health	Public Health Service	In-House				
	Substance Misuse Treatment Service	Contracted	Inclusion	NHS Provider	£6M	31/3/2022
	Integrated Sexual Health Service	Contracted	Provide	Community	£7M	31/3/2023

Service	Sub Area	In-House or Contracted	Contractor Name	Contractor Type (Local/SME)	Contract Value	Contract Ends
				CIC – specialist health service		
	Young People’s Drugs Misuse Service	Contracted	Wize Up	SME Specialist	£600K	31/3/2019
Housing Management (GF)	Tenancy Neighbourhood	In-house				
	Welfare Reform	In-House				
	Homelessness	In-House				
	Private Rented Sector – HMO’s condition etc	In-House				
	Anti-Social Behaviour & Enforcement	In-House				
	Sheltered Housing	In-House				
Asset Management and Delivery	Asset Management Service	In-House (client)				
	Technical Services	In-House				
	Transforming Homes Programme	Contracted	Wates and United Living	National	£30M	30/6/2021
	Responsive Repairs	Contracted	Mears	National	£30-£60M	5 – 10 years initial end date 31/1/2020
	Gas Servicing and Breakdown Repairs	Contracted	Liberty Gas	Non SME	£4-5M	31/3/2019
	Other Cyclical Repairs, Testing and Inspection	Contracted	Various	Mix of large and small, local and Regional	c. £2M per annum	Various
	Project Works and Programmes	Contracted	Various	Mix of large and small, some local contractors	Varies year on year	According to project

FINANCE AND IT

Service	Sub Area	In-House or Contracted	Contractor Name	Contractor Type (Local/SM E)	Contract Value	Contract Ends
Finance	Corporate Finance	In-House				
	Risk and Insurance	In-House				
	Internal Audit	In-House				
	Fraud	In-House (Traded)				
	Revenues and Benefits inc Creditors and Debt Management	In-House				
ICT		In-House Service				
	ICT Service	Some Specialist Contracts	Various inc Evosys for Oracle Implementation	Various	Oracle Implementation c. £1.2M. Others vary	Project Based
	ICT Systems	Contracted	16 Suppliers	Various	£2.8M Annual spend	Annual renewals to be amalgamated
Legal Services	Governance/Electoral Services	In-House Service				
	Member Services	In-House				

HR OD & TRANSFORMATION

Service	Sub Area	In-House or Contracted	Contractor Name	Contractor Type (Local/SME)	Contract Value	Contract Ends
HR	Recruitment	In-House				
	HR Advisory	In-House (& Traded)				
	Payroll	In-House (& Traded)				
	OD	In-House Service				
	Training	Mix of In-House and Contracted Training Providers	Various	Mainly SME	Various	Various
Transformation	Programme/Project Team	In-House				
Information Governance	Complaints, IG, Data Protection	In-House Service				

LEGAL

Service	Sub Area	In-House or Contracted	Contractor Name	Contractor Type (Local/SME)	Contract Value	Contract Ends
Legal Support	Legal Advice and support	In-House with occasional use of specialists				

STRATEGY AND COMMS

Service	Sub Area	In-House or Contracted	Contractor Name	Contractor Type (Local/SME)	Contract Value	Contract Ends
Comms and Marketing	Comms and Media Service	In-House				
	Advertising and Sponsorship	Contracted	Thurrock Gazette (Newsquest)	Local Newspaper	£80K	31/10/2019
		Roundabout Sponsorship	Marketing Force Ltd	SME	Concession, no cost to Thurrock	1/9/2018
	Printing and Design	In-House Service				
		Printing Spot Purchased	Various	Various	Low value	Individual projects, to be amalgamated
Customer Services	Customer Service Team	In-House				

COMMERCIAL SERVICES

Service	Sub Area	In-House or Contracted	Contractor Name	Contractor Type (Local/SME)	Contract Value	Contract Ends
Commercial Team	Procurement	In-House				
	P2P	In-House				
	Commercial	In-House				
	Business Development	In-House				