

# Policy and Sustainability Committee

10.00am, Tuesday, 5 October 2021

## In-house Service Provision - Response to a motion by Councillor Day

Item number	
Executive/routine	Executive
Wards	All
Council Commitments	

### 1. Recommendations

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- 1.1 It is recommended that the Committee:
  - 1.1.1 notes the contents of the report; and,
  - 1.1.2 Endorses the development of a longer-term, resourced programme of work to consider the most appropriate options for future service delivery, subject to the Council's Business and Budget Planning decisions and Sustainable Procurement Strategy, for the 2023/24 financial year.

**Stephen S. Moir**  
Executive Director of Corporate Services

Contact: Stephen Moir, Executive Director of Corporate Services  
E-mail: [stephen.moir@edinburgh.gov.uk](mailto:stephen.moir@edinburgh.gov.uk) | Telephone: 0131 529 4822

## In-house Service Provision - Response to a motion by Councillor Day

### 2. Executive Summary

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- 2.1 This report presents a response to the motion from Councillor Day, Deputy Leader of the Council, which was approved by Full Council on 24<sup>th</sup> June 2021.

### 3. Background

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- 3.1 At the meeting of the City of Edinburgh Council on 24<sup>th</sup> June 2021, the following adjusted motion from Councillor Day was approved:
- 1) *To note the commitment to in-house delivery wherever possible to ensure the best service provision alongside our commitment to best value, fair work and as a living wage employer.*
  - 2) *To also note the use of external service providers through contracts and as part of frameworks in many areas to maximise service delivery and deliver specialist services where it would not be possible or efficient to build an inhouse model to deliver those services.*
  - 3) *To lastly note previous and recent decisions on service frameworks and contracts where options remained to be fully explored on inhouse components of service delivery within the service areas.*
  - 4) *To request a report to the Policy and Sustainability Committee in 2 cycles setting out a process and timeline to examine where in-house provision could be expanded in Council service delivery (including setting out engagement processes for staff, local trade unions, key service users and other stakeholders and recognising the financial and other inputs required to allow best value assessments to be made), and include an update on the use of community benefit clauses in external contracts such as increased local apprenticeships and other clauses in use.*

## 4. Main report

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- 4.1 The provision of services to by the City of Edinburgh Council has to take into account a complex range of factors, not least financial and legal, to ensure that the Council is not only able to provide over 700 public services, but also to ensure that it achieves Best Value.
- 4.2 The [Local Government in Scotland Act 2003](#) introduced a statutory framework for Best Value for local authorities. The Best Value duties set out in the Act are:
- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); and, in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development;
  - to achieve break-even trading accounts, subject to mandatory disclosure;
  - to observe proper accounting practices; and,
  - to make arrangements for the reporting to the public of the outcome of the performance of functions.
- 4.3 Achieving Best Value is increasingly dependent on the effectiveness of partnerships and collaborative working arrangements with a range of stakeholders, in addition to how well a local authority manages its own activities. Since the original version of this guidance was published in 2004, there has been an increased focus on partnership and collaborative working across the public sector, with much more alignment of key plans and strategies among partners, and joint working to deliver shared outcomes. Alignment of key plans and strategies with its partners, an understanding of place, a commitment to reducing inequalities, empowering communities to affect change, and being able to demonstrate improved outcomes for people who use services are now key requirements in the achievement of Best Value.
- 4.4 Although local authorities are not responsible for the performance of all partners in their areas, they are crucial in influencing many local services through their relationships with others. Local authorities achieving Best Value will be able to demonstrate a vision and direction of travel shared with key stakeholders in order to achieve key outcomes for local people. There are a number of areas where Best Value can be demonstrated only by working in strong partnership arrangements with bodies not covered by the statutory Best Value duties in the 2003 Act, and this is reflected in the guidance.
- 4.5 This guidance applies to other bodies as required by Section 106 of the Local Government (Scotland) Act 1973, notably health and social care integration joint boards and other joint committees or boards, that are subject to the same statutory Best Value duties as local authorities and it should be interpreted and applied accordingly. Section 14 of the 2003 Act applies the Best Value duty to these other

bodies and references throughout the guidance to 'local authorities' cover all such bodies.

- 4.6 In addition to the Duty of Best Value, at an authority level, the City of Edinburgh Council operates within a political commitment set by the Coalition, progress against which is reported to the Policy and Sustainability Committee and Council annually. Coalition Commitment 50 states: *Continue a policy of no compulsory redundancies and keep a presumption in favour of in-house service provision.* As reported to the Policy and Sustainability Committee on 10<sup>th</sup> June 2021 and subsequently referred on to Full Council on 24<sup>th</sup> June 2021, this Political Commitment is expected to be fully achieved during the term of this Council.
- 4.7 During this Council term, there have been a number of positive examples of services being retained in-house, or where these have been insourced to a greater proportion from previous external suppliers.
- 4.8 In addition to maintaining its adherence to Coalition Commitment 50, The City of Edinburgh Council has previously considered the balance between in-house service provision and other forms of delivery as part of the former Transformation Programme during the previous Council. This included work to assess options for the delivery of Property and Asset Management Services, as reported to the Finance and Resources Committee on 24<sup>th</sup> September 2015. This assessment, supported by Deloitte, built upon work on "Alternative Business Models" which the Council undertook in 2009/2010. The proposed externalisation of services in these cases were not approved by the respective Councils at that time and therefore other models of provision were implemented, for example including the retention of in-house facilities management services, incorporating cleaning, catering and janitorial services.
- 4.9 The examination of the most appropriate future delivery option for Council services is a significant strategic undertaking for any Local Authority. This would draw heavily upon already stretched in-house Corporate Services staff expertise as well as requiring likely external support for business case preparation and options appraisal. The Committee is further advised that, at present, the Council continues to deal with the impact of the Covid-19 pandemic, which exacerbates significantly the capacity challenges within Corporate Services to support such a programme. Such a programme of engagement is best undertaken where a dedicated and resourced programme team can be funded to co-ordinate such activities. Given the outlined capacity constraints, such a programme of work would also need to be balanced against the immediate requirement to ensure a sustainable medium-term financial position for the Council, outlined in the Revenue Budget report being presented to the Finance and Resources Committee on 7<sup>th</sup> October 2021.

4.10 The Committee is advised that Council officers will be preparing a series of options and processes for early consideration by the next Council in 2022/23. This potential programme of work would therefore be one of the areas for exploration and consideration by the new Council, following the Local Government Elections in 2022, in readiness for the 2023/24 financial year. In advance of any potential programme of work being established and resourced, Directorates/Divisions would need to review the full range of options that may arise for major contracts due to come to a natural end date, advised by Finance and Procurement, before any re-procurement was commenced.

### **Sustainable Procurement Strategy and Community Benefits**

4.11 The Council's external spend on goods, services and works is substantial, £719m in 2020/21, relating to both revenue and capital spend. Under the Procurement Reform (Scotland) Act 2014, the Council is required by law to publish a strategy that gives the strategic focus for its procurement activities, and that sets the context in which the Council will work to ensure that its procurements deliver value for money and directly contribute to the achievement of its broader aims. In this context the main focus is on regulated procurements, "regulated" meaning those contracts valued at over £50,000 for goods and services and over £2 million for works.

4.12 The Council's Sustainable Procurement Strategy was approved by the Finance and Resources Committee on 5<sup>th</sup> March 2020. This strategy covers the period 2020-2025. In addition to the financial challenge facing all local authorities, the strategy identifies seven key strategic procurement objectives that will be promoted:

- Making procurement spend more accessible to local small business and the third sector;
- Improving Fair Work practices adopted by suppliers;
- Increasing community benefits delivered by suppliers;
- Contributing to the Council's 2030 carbon-neutral city target;
- Delivering savings and Best Value outcomes;
- Ensuring legal compliance and robust and transparent governance; and,
- Promoting innovative and best practice solutions.

4.13 In furtherance of the strategy, the Council has also adopted a range of supporting charters and complementary plans to ensure that procurement also drives positive outcomes in areas such as Fair Work, Modern Slavery, Construction Charter, etc. Whilst these elements may not be quantified formally as community benefits in the strict sense of the Procurement legislation, they do mean that the Council ensures it seeks to leverage better outcomes from its supply chain in respect of a range of key considerations relating to Fair Pay, Trade Union recognition and positive employment practices.

4.14 The Council is further obliged, under Section 18 of the Procurement Reform (Scotland) Act 2014, to prepare an annual report on its regulated procurement

activities as soon as reasonably practicable after the end of each financial year. The last such Annual Procurement report was presented and approved by the Finance and Resources Committee on 12<sup>th</sup> August 2021. As a part of this annual report, Community Benefits are formally reported upon.

- 4.15 Community benefits are identified on a project by project basis and are embedded in the Council's processes and procedures. The relevant Scottish procurement regulations place specific requirements on the Council, for major contracts which have an estimated value above £4m, to consider whether to impose community benefit obligations.
- 4.16 All 21 contracts the Council awarded above that threshold in 2020/21 included community benefit requirements. On top of this, there were an additional 29 contracts in this period where the Council included community benefits obligations.
- 4.17 The overall volume of contracts where community benefits were sought was 50, which was the same volume as in 2019/20, but reflects the overall reduction in the number of regulated contracts awarded by the Council.
- 4.18 However, in percentage terms there has actually been an increase, with community benefits being sought in 27% of (186) regulated contracts, an increase from 20% (of 245 regulated contracts) in the previous financial year. These figures are also influenced by the high number of 'call-off' contracts, where community benefit commitments were secured at the Framework Agreement award stage with the delivery of these reported in relation to cumulative supplier delivery rather than individual call-off level. Community benefits delivered in the reporting period range from apprenticeships, training, work experience and recruitment, to mentoring and community engagement.
- 4.19 Some notable examples of community benefits delivery in 2020/21 are included in the report, such as those delivered through the street lighting contract with Amey and the Edinburgh Trams to Newhaven contracts.
- 4.20 The delivery and reporting of community benefits is expected to improve moving forward, with the further embedding of the Council's contract management framework and the recent creation of a new post within Commercial and Procurement Services to work closely with service areas and improve the reporting and delivery of community benefits.

## **5. Next Steps**

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- 5.1 Subject to the decision of the Policy and Sustainability Committee, consideration of a fuller programme to review the balance of in-house versus externalised service provision would need to be considered as part of the Council's Business Plan and Budget Setting for 2022/23 and beyond. It is envisaged however that such an approach could support the Council with evidenced and clear options appraisals from which to make decisions about future service design, costs and provision on a

function by function basis, also enabling effective trade union and employee engagement, as well as service user and supplier involvement, where appropriate.

## **6. Financial impact**

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- 6.1 The financial implications of undertaking a programme of engagement and review of the balance of in-house service provision would require to be considered as part of the Council's Business Plan and Budget Setting process. In addition, current procurement activities led by individual Directorates, with expert support and advice from Commercial and Procurement Services, can be considered on a case by case basis.

## **7. Stakeholder/Community Impact**

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- 7.1 The stakeholder and/or community impact arising from this report would vary depending upon the approach to be taken. The Council would need to ensure the effective engagement of employees, recognised trade unions, service users and suppliers as part of any such future approach.

## **8. Background reading/external references**

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- 8.1 [Sustainable Procurement Strategy – Annual Report, Report to Finance and Resources Committee, 12<sup>th</sup> August 2021](#)
- 8.2 [Coalition Commitments Progress Update – June 2021, Referral from Policy and Sustainability Committee to the City of Edinburgh Council, 24<sup>th</sup> June 2021:](#)
- 8.3 [Council Business Plan and Budget 2021/2026, Referral from Finance and Resources Committee to the City of Edinburgh Council, 18<sup>th</sup> February 2021:](#)
- 8.4 [Sustainable Procurement Strategy 2020-2025, Report to Finance and Resources Committee, 5<sup>th</sup> March 2020:](#)
- 8.5 [Programme for the Capital: The City of Edinburgh Council Business Plan 2027-22, Report to Full Council, 24<sup>th</sup> August 2017:](#)
- 8.6 [Transformation Programme: Property and Asset Management Strategy, Report to Finance and Resources Committee, 24<sup>th</sup> September 2015:](#)
- 8.7 [Alternative Business Models Programme, Report to City of Edinburgh Council, 16 December 2010:](#)

## **9. Appendices**

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- 9.1 None.