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The government needs to learn lessons from its mistakes with outsourcing, and enact the practice for the “right reasons”, according to a think tank report published last month.

*Government Outsourcing: What Has Worked and What Needs Reform?* by the Institute for Government (IoG) states that when it is done poorly, outsourcing has “caused harm and waste”.

A string of high-profile failures, such as Carillion’s collapse, only serve to highlight this, it points out, however, that rather than bringing public services back into government hands, as the Labour Party has suggested, the government must outsource for “the right reasons”.

This means where private providers benefit from “expertise, economies of scale or new technologies that enable them to deliver services better or more cheaply, or where competition can improve performance”.

It should not outsource where there is no reason to think it would work, as with probation, or in pursuit of “unrealistic cost savings” and it “must develop better evidence to inform these decisions”, say the authors. When government chooses to outsource, it must do it better: understanding what it is buying, choosing bids that deliver sufficient quality and value for money, allocating risks intelligently and managing contracts effectively. Such rigour will be key to the government navigating its way out of the wider problems it faces – low trust in contractual relationships and declining competition.

The authors add that with its *Outsourcing Playbook*, the government “has made an important first step” but there is “a risk that it will not improve practice on the ground” and that it has to be accompanied by “the resources, skills, capabilities and accountability

required to deliver change”.

Matthew Fell, chief UK policy director of the CBI, said the current focus on partnerships between the public and private sectors was important because they “play a vital role in driving prosperity across all UK regions and nations” and “the government spends nearly a third of its annual budget in this way”.

He said the IoG report presents

“some good ideas, including extending the *Outsourcing Playbook*, which has been well received by industry, to more types of public contracts, and creating an annual report to track implementation”. He added: “Improving data collection for major projects will also help provide evidence of what works, which is vital when measuring the impact of investment and innovation the private sector brings to high-quality public service delivery.”

### ‘We are the experts’

Tony Raikes, managing director of VINCI Facilities UK, does not think central government has a role in clarifying what should be outsourced. He said it is incumbent on the FM industry to do more to explain

why FM services should not be insourced “because we are the experts at it and we can share our experiences and our investments across a range of clients, as opposed to a local authority which, if it has internalised its FM, has to invest in keeping it up to the money in terms of legislation, best practice, CAFM and the like”.

Raikes believes there is a fundamental distinction between FM and other services outsourced by authorities. “No one is ever going to convince me that maintenance and cleaning specifications are ever going to become affected by government policy,” said Raikes.

PHOTOGRAPHY: GETTY

## OUTSOURCING

# GOVERNMENT MUST OUTSOURCE FOR THE ‘RIGHT REASONS’

WORDS: HERPREET KAUR GREWAL



◀ The IoG’s report states that when it is done poorly, outsourcing has “caused harm and waste”

## HIGH-PROFILE CONTRACT FAILURES, 2012–2019

**July 2012** 3,500 soldiers drafted into the London Olympics after G4S failed to provide contracted security staff

**July 2013** Probe begins into claims that G4S and Serco charged for electronically tagging offenders who had returned to prison, left the country or even died

**March 2014** Atos quits contract to provide work capability assessments after 30% of its decisions are overturned

**January 2014** Capita fined for poor performance in court translation contract

**September 2015** G4S loses contract to run a young offenders’ facility following concerns that detainees were treated in a degrading fashion

**April 2016** 17 privately built Edinburgh schools closed because of construction defects

**September 2017** Capita stripped of a £400m contract to run key infrastructure three years into its 10-year run

**September 2017** Investigation into a G4S immigration removal centre reveals “chaos, incompetence and abuse”, including alleged assault

**January 2018** Carillion collapses

**July 2018** MoJ announces that it will terminate the contracts of private probation providers two years earlier than planned

**December 2018** NAO report shows Capita missed its army recruitment targets by 30% on average every year since 2012

**April 2019** MoJ brings G4S-run HMP Birmingham back in-house after an inspection finds it “fundamentally unsafe”

Source: Institute for Government analysis

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# FRONT DESK

THE MONTH'S MOST IMPORTANT FM STORIES

“We’re operating at a completely different level to those other outsourcing industries.”

He believes competent FM outsourcers are too

easily linked to unrelated outsourcing failures elsewhere within an authority.

“We can easily become tarred by the same brush.”

Andrew Wood, CEO of maintenance supplier DMA Group, thinks the whole insourcing/outsourcing debate has been “dominated by assumptions”.

“Before the Carillion fiasco, it was thought outsourcing was more effective and cheaper than in-house provision,” said Wood. “The new narrative paints outsourcing as the scapegoat for market failure. Outsourcing is blamed for a loss of direct control and limited flexibility. Is this a fair appraisal? Or a knee-jerk reaction to the failures of the main players that have tainted the trust in FM? I would suggest the latter.”

Independent consultant John Bowen thinks each case “needs to be looked at on its own merits. There needs to be mutual benefit for both client and contractor. The client needs to understand why they are outsourcing, what they want to achieve

and how that will happen.

“The financial and performance benefits of outsourcing will diminish as the contract moves along and that also needs to be understood so that targets are realistic.”

Sofie Hooper, IWFM’s senior policy adviser called the IoG report “a clear, balanced and evidence-based overview” and one that recognises “both the strengths and weaknesses of outsourcing”.

She said the report’s conclusions align with IWFM’s own assessment on providing better-value services by addressing the procurement rules and improving the contract management phase.

IWFM is “developing guidance on better sustainable procurement which puts the focus on better-quality service outputs through better procurement” which will be “complemented by the FM specific social value framework we are developing with the National Social Value Taskforce”.

This endeavour would add another dimension to the whole insourcing/outsourcing debate, connecting facilities service provision to “great social, economic and environmental outcomes, driving up best practice in these areas”, said Hooper. **F**