Shared Services – where are we now?

Risk Management Partners
rmpartners.co.uk

25 YEARS OF DEDICATION IN ACTION

Shared Services – where are we now?

Ongoing austerity, demographic changes and the government increasingly demanding improved efficiency from local authorities have resulted in a significant shift towards shared services in recent years.

A range of models

There are several models local authorities can use to enter into partnerships with other bodies, from straightforward outsourcing arrangements to far more complex, innovative collaborations.

Options include:

Joint commissioning with other public bodies

This has become more common in recent years – particularly in relation to the commissioning of social care in conjunction with the NHS – and it may increase as the implications of the Social Care Act become clearer over the next few years.

As with many of these arrangements, the benefits include reduced costs as well as a commonality of strategy and business planning. An important risk to consider is the potential lack of clarity about statutory duties and the allocation of risk between parties.

Joint management teams

This has been a reasonably popular option – particularly with smaller district and borough councils, who can perhaps more easily realise the potential costs savings than larger authorities – and allows authorities to offer joined-up policies across a wide area.

There are risks associated with this approach around the loss of control, should one party be seen as dominant, and the difficulties of promoting joint policy where the political make-up of the authorities is not aligned, or changes.

Joint provision with other councils

As can be seen from the shared services map, the largest financial benefits have been seen in this area. Sharing environment, waste and transport services is most popular (areas at the forefront of alternative service delivery, where such arrangements have been in place for many years), followed by sharing of customer-facing and back office services.

Again, this is probably most popular with small districts who can achieve cost savings through economies of scale. The downsides are similar to those of joint management teams – lack of control over policy and changes in political alignment. There are some collaborations that run across whole counties and these may also face issues around different terms and conditions for staff.

Partnerships with the private sector

As an alternative to completely outsourcing provision to the private sector [please see RMP's paper 'Externalisation of services'], a number of authorities have entered into one-off ventures with private sector companies. One of the advantages of such enterprises is that the public sector can benefit from private sector expertise, as well as the use of commercial responses in service provision.

Risks vs cost savings

Despite local authorities being under ongoing pressure to do more with less, it is vital that proper consideration is given to the risks that can arise from a change in service provision, as well as any cost savings that may accrue.

While each authority will have its own procedures, it is worthwhile highlighting some of the main issues that will need to be addressed:

— Does the service involve a statutory duty?

— Are all parties clear as to the extent of the service being shared?

— Is the new arrangement within the Authority's powers?

— Is there a need for a procurement process?

— What are the expected benefits of the new delivery model? How will success be measured?

— Has the proposed business plan been subject to due diligence?

— Has a risk assessment been carried out for the new model (covering both financial and service delivery risks)? Is the outcome within the accepted risk tolerance for the local authority?

— Does the contract contain appropriate insurance and indemnity clauses?

— Has risk-sharing been adequately discussed and agreed? Are insurers willing to provide insurance cover for the new delivery model, including any increased risk-sharing responsibilities?

- Whose physical assets (for example, premises or vehicles) are being used? Is ownership of the assets transferring? How will new assets be purchased?
- Will there be a transfer of employees by secondment or TUPE?

Planning an exit strategy

Local authorities and potential partners should also consider – as part of the initial planning process – what will happen if the arrangement fails. A formal exit plan may seem unnecessary at this early stage, but it will bring clarity to what would be a particularly difficult time if the contract does go wrong.

Particular consideration should be given to the following:

- Staff – will they need to be TUPE'd back to original authorities, or into another partnership?
- Assets – which party will need them? How will they be valued?
- Location – can the service continue to be provided in the current location? What are the provisions of any lease entered into?
- Insurances – do existing joint policies or self- funding arrangements need to be maintained?

Protection across the board

Shared services and other forms of collaboration have now become a recognised form of service delivery for the vast majority of local authorities and other public bodies. Provided sufficient care is taken in setting up and monitoring any new arrangement, they can be an effective way of saving money and allocating scarce resources.

However, it is essential that from a risk management perspective, any local authority considering such an arrangement seeks the advice of their broker or insurer to ensure they are suitably protected during – and potentially after – the lifetime of a contract.

Further information

For access to further RMP Resources you may find helpful in reducing your organisation's cost of risk, please access the RMP Resources or RMP Articles pages on our website. To join the debate follow us on our LinkedIn page.

Get in touch

For more information, please contact your RMP consultant or account director.

contact@rmpartners.co.uk

rmp

Risk Management Partners

The Walbrook Building
25 Walbrook
London EC4N 8AW

020 7204 1800
rmpartners.co.uk

07/2019