

Shared Services Are Now Firmly On The Agenda: Is There The Political Will To Make Them Work?

In an effort to reduce national debt and with Scotland facing reduced budgets for the next few years, cuts in public services are being implemented and look like assuming the character of a force of nature! Local authorities and other public bodies really will have to do more with less. While in previous recessions governments have acted to slow the rate of public spending growth, the scale of downwards adjustment this time is quite radical. Though a daunting challenge, hearteningly some public bodies are applying a fresh, realistic approach to finding solutions to mutual problems - such as collaborative ways of working.

Shared services particularly are being seen as an innovative way to mitigate risks to services that spending cuts pose, by doing things at a lower cost while still improving performance. UK departments, including the DWP, are leading the way with initiatives that appear to offer proven benefits. The Scottish Government recognises that public organisations face constant operational and strategic challenges to improve services and effectiveness and is encouraging the lessons of lean theories from manufacturing, based on the idea that improvement comes from eliminating non-value-added activities.

The idea of a shared service approach is to enable organisations to better service delivery through access to specialised skill-sets and expertise, while benefiting from cost reductions achieved by economies of scale. However, that's not to say that shared services doesn't bring legitimate areas of concern. In various ways, such as using outsourcing, public bodies may devolve their responsibilities, including the degree of democratic accountability, corporate governance and the continuing need for transparency. There are significant legal areas to be explored regarding where ownership and responsibility should and does lie, in addition to how an approach is best structured and maintained from a service delivery perspective.

Many of the legal issues arising from the need to put relevant contracts out to tender under the public procurement rules were clarified by the Hamburg Waste Case, where four local authorities in Germany entered into a contract for waste disposal with the City of Hamburg waste department without holding a competitive tender. The EC brought infringement proceedings against Germany on the grounds that the direct award of the contract was in breach of the EU Public Procurement regime and the issue was whether the authorities had, or had not, awarded a contract to which the procurement rules applied.

The European Court of Justice eventually ruled that the contract was, in reality, the culmination of a process of inter-municipal cooperation and was, in essence, a non-commercial arrangement that didn't need to go out to tender. Such co-operation between public authorities was held not to undermine the principal objective of the EU public procurement rules, being the opening up of undistorted competition across the EU. So, in real terms, there's no legal impediment to shared services under public tendering rules. High profile reviews, such as Sir John Arbuthnot's "roadmap" of the potential for shared services across the eight Clyde Valley local authorities, recommended radical restructuring, including a single transport solution, shared roads maintenance and property sharing and management, amongst others.

The scale of the issues facing public bodies was illustrated by a Commission headed by former STUC leader Campbell Christie, which recently called for a shift in service provision to a more preventative and outcome-based approach, in collaboration with both the private and third sectors. The Christie Commission Report estimated up to 40% of Scottish public spending goes on remedying problems that early intervention could have prevented, and warned, “Unless Scotland embraces a radical, new, collaborative culture throughout our public services, both budgets and provision will buckle under the strain.”

Shared services are now firmly on the agenda, and though the task of implementing them will be difficult, there are catalysts for making a real difference in the scale of the required budgetary reductions and also the political will to achieve them. As in so many areas, the latter will be the deciding factor.

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