

Could LPO be the missing link for the UK public sector?

By Robert Glennie, CEO, NewGalaxy Partners

The Government Legal Service (GLS) is the collective name for the legal teams of approximately 30 UK central government departments, agencies and public bodies which, all together, employ about 2,000 lawyers. It provides a range of legal services to the government of the day – including the provision of advice to government and policy administrators on proposed changes to laws, drafting legislation, criminal and civil litigation (including judicial review work) and advising on the implications of the ever-increasing volume of European Union law on domestic UK policy and laws.

UK local authorities and organisations such as the National Health Service are also significant employers of lawyers.

Procurement in the public sector

‘Radical restructuring’ of public procurement could save £1.5 billion and more use of shared services and outsourcing could save £10bn, the UK Institute of Directors claimed in its 2010 Report on public sector procurement. At that time, it assessed the UK’s annual public procurement spend to be £220bn (about one third of UK government spending).

The report concluded that at least £25bn a year was being ‘squandered’ through badly organised procurement and outsourcing; that most purchasing was organised in small scale silos (with most local authorities, NHS Trusts and small central government departments ‘doing their own thing’); and that the resultant ‘massive duplication’ could be avoided if legal services, IT, human resources and other services were sourced centrally.

The solution, the report concluded, was integrated public sector procurement and outsourcing. The report proposed the creation of centralised buying organisations to handle all key supplier relationships and all national and major contracts on behalf of the whole public sector. Local needs would be met by regional procurement hubs.

Since 2010, there have been some efficiency improvements – but the radical step-change proposed by the report seems, politically, to be a step too far.

David Cameron’s political broadside

In a speech early in 2011, UK Prime Minister David Cameron fired a broadside at public procurement staff – badging them ‘enemies of enterprise’. He made forceful, often critical, statements about the role and effectiveness of public sector procurement.

He announced that the UK government is encouraging 25 per cent of public spend to go to SMEs – and now, as the UK languishes in a double-dip recession, its central government continues to believe that encouragement of growth of SMEs should be a material part of the plan to restore the fortunes of the UK’s economy. So what is changing?

Small steps – shared service centres

Both central government and local authorities face ongoing pressure to reduce their costs. In the past few years, several groups of local authorities have conjoined their legal teams to form shared service centres.

In 2011, when Susanne Nelson-Wehrmeyer was appointed interim team leader of the conjoined legal teams of Wokingham Borough Council and the Royal Borough of Windsor and Maidenhead (with Reading Borough Council’s legal team scheduled to join that grouping shortly thereafter), she was quoted as saying: ‘This is an exciting development for us, which will ensure better value for money for legal services for the participating authorities, will improve service resilience and create better career opportunities and support for those within the service.’

She added: ‘Shared services for back office functions will become more common as budgets become more constrained, especially for smaller authorities. We have taken the opportunity also to transform the way we work while undertaking this project, so we will also be moving to more flexible working patterns at the same time.’

There are many other examples of UK local authority legal teams combining resources to form shared services centres – not all for legal services. Some have private funding: for example, in the UK National Health Service, NHS Shared Business Services in Salford is jointly owned by the Department of Health and by Steria. A former NHS regional hub in the West Midlands of England is now run by an American company and is called Health Trust Europe.

Perhaps these types of organisation will expand their operations into the local government sector?

If the best of private sector operations can provide top-class services and value to the public sector – at competitive prices – why is more of that not now happening, particularly in relation to LPO services?

Outsourcing

The topics of shared services and outsourcing are closely linked. Surely the next step for both central government and for local authorities should be to include within GLS and local authority shared services centres for legal services elements of LPO

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outsourcing – to maximise potential cost savings and efficiencies.

The private sector is increasingly embracing legal process outsourcing – with large corporates, as they refresh their legal panels, often requiring law firms which want to win a place on the refreshed legal panel to include in their offering ‘an LPO option’.

The compelling commercial and economic reasons why these large corporates choose to work with LPOs, or require their panel law firms and in-house lawyers to work with LPOs, make as much operational and financial sense for public authority legal departments as they do for private sector businesses.

More for less

With local authorities facing budget cuts of up to 40 per cent, doing ‘more for less’ will often not be enough. Politicians tend to want to safeguard front-line services: back office services can be slotted into shared services centres – but, in truth, more radical solutions are needed.

Some new ideas are being tested. The legal team at Kent County Council is working with the law firm Geldards under the ‘Law: Public’ brand to, in the words of Geoff Wild, director of governance and law at Kent County Council, ‘provide a cost-effective service and a viable alternative to the panel system’.

That development is an interesting alternative to the traditional law firm panel system. But could that model and the various shared services models that are emerging be improved and developed further by the addition of LPOs into the mix? It most certainly could.

Central government and local authorities have now been outsourcing services such as IT, finance and payroll for quite some time. Some of these outsourcings have been more successful than others – but, hopefully, public authorities have learned from their experiences. If the private sector can use LPOs, successfully, why not the public sector?

Ingredients for innovation

The legal profession in the UK is in the midst of a period of rapid change. Today, it is radically different to what it was 25 years ago. Mergers proliferate among private sector law firms and many high street law firms struggle to survive.

The arrival of ABSs will undoubtedly accelerate further change. New providers of legal services and legal support services are emerging – where will businesses such as the Co-op and the AA sit in these service sectors in five years’ time?

In the private sector, some LPOs – such as NewGalaxy, the business of which I am executive chairman – now complement their established offshore legal process outsourcing capabilities (NewGalaxy’s offshore LPO delivery centre is in India) with an onshore delivery centre within the UK. So worries – whether real or not – about sensitive contracts, data or information leaving the UK can now be totally avoided.

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Specialist consultancy firms – and LPOs such as NewGalaxy – spend time with their new clients de-constructing the legal tasks and transactions which these new clients regularly undertake. The main purpose of that exercise is to identify which elements of each task or transaction could more efficiently, effectively and cost effectively be undertaken in better, more efficient, ways and by lower cost resources.

In truth, there are elements of many legal tasks and transactions that are repetitive or very similar and which, if operated and managed as a process, can be completed with much less risk of error, at lower cost and by lawyers or paralegals with specialist skills and training in that type of work.

The outcome of these de-construction exercises is that high-cost, specialist lawyers (whether in law firms, in-house legal teams or public authorities’ legal teams) can focus on the parts of legal tasks or transactions to which they can truly add real value, leaving the other elements of these overall tasks and transactions to be handled by an LPO. Of course, it is vital to ensure that appropriate protocols are discussed carefully and put in place at the outset – so that each legal task or transaction flows and is managed smoothly and effectively: and we, at NewGalaxy, find that our most successful and enjoyable legal outsourcing work is with those clients who communicate most effectively and proactively with us.

Similar types of arrangement could readily be put in place with central government and with local authorities. Hopefully, that organisational change will now begin to happen.

True added value

Many of the legal support services provided by LPOs to their private sector clients should be helpful to public sector organisations. Whether it would be contract management work (for example, contract abstraction, contract review, contract drafting or creating and managing databases of contracts); document review (for the purposes of litigation support, for example); or procurement assistance – the de-constructing and analysis exercises described earlier in this article should be equally relevant to public authorities, and would assist them to maximise efficiencies and cost-savings at a time when they are all under severe pressure to reduce costs while increasing output.

Law firms are beginning to talk to LPOs about ‘managed legal services’ and ‘managed legal support services’. As a softer option than the radical changes proposed by the Institute of Directors in its 2010 Report, the first public authority to investigate and embrace these changes should win widespread praise and plaudits.

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