

APPENDIX B

<u>Type of Service Vehicle</u>	<u>Advantages</u>	<u>Disadvantages</u>
<u>INTERNAL</u>		
Purely in-house provision	Direct control	Direct control might inhibit service development due to competing demands for resources.
	Inside knowledge of the client services and their priorities, needs, desires and expectations.	Lack of outside knowledge including loss of training opportunity from using outside lawyers.
	Covers all areas of legal work.	Lack of affordability of comprehensive service as must cover all areas of expertise, including highly specialist areas (even one-off instructions).
	See below	
<u>INTERNAL/EXTERNAL</u>		
	<u>Advantages</u>	<u>Disadvantages</u>
Increased in-house legal function	Direct control over service and people.	On-costs from such direct control and loss of achieving the potential of realisation of cashable savings.
	Saving cost of buying-in expertise (i.e. do not have to bear the cost of having wide range of experts on stand-by)	Need to keep up competence levels. Jack of all trades. Master of none. Still have to outsource where 'insufficient expertise in a particular area of law
	No profit targets needed to meet higher private sector wages/costs	If fail to ensure cost competitive across whole service profile, then cost of service would be more expensive than profit driven private sector.
	Inside knowledge of the client services and their priorities, needs, desires and expectations.	Lack of outside knowledge including loss of training opportunity from using outside lawyers.
	Closer to internal clients so better understanding of the Council's business needs and ability to build better relationships, continue such relationships and so have "value" and "added value".	Danger of lack of independence of view. Failure to take advantage of service rationalisation.

Increased in-house legal function (continued)	<u>Advantages</u>	<u>Disadvantages</u>
	More readily available legal resources “on-site” and “on-tap”, and such resources can be redeployed on non-legal tasks to underpin business resilience.	Still have to outsource where insufficient capacity within the in-house team’.
	In-house legal practice subject to less regulation by regulators	None
	No valued added tax (VAT) so savings at relevant VAT rate (standard rate 20%)	None
	No <i>business requirement</i> to make a profit	Cost neutral basis might not be sufficient to sustain the Council or the service, depending upon relative cost framework.
	No cost in tendering or exit strategy as regards in-house element	None
<p>Example: Somerset County Council after having shrunk its in-house legal service was reliant more and more on ‘costly private sector solicitors and counsel’ being ‘commissioned to undertake work that once...would have been undertaken ‘in-house’. In 2011 it sought to readdress ‘that balance in a few key areas of legal practice, to substantially reduce the cost of external legal support and to reduce total costs overall while at the same time maintaining or improving standards of service and ...responsiveness to internal...clients’. It operates on a ‘traded basis’, with ‘no direct budget from the Council although most of its customers are ...internal Services.’ (see Somerset County Council Outline Business Case dated 5 April 2012).</p>		
<u>SHARED- SERVICES</u>	<u>Advantages</u>	<u>Disadvantages</u>
	(Potential) Centralisation of lawyers with economies of scale, better career structures, management and access to legal research facilities	Remoteness. Career structures, management etc still have to be paid for. Cannot reduce office costs (unless the Council reduces its overheads) as existing office costs are simply redistributed among remaining services, adding to their costs but overall the same.
	Savings from shared knowledge and information e.g. through a shared electronic hub and a shared case management system/time management systems	Savings from shared arrangements can be exaggerated. One-off savings such as reduction in management posts cannot be repeated. Might inherit a different costly structure over time. Reliance on the version used by supplier for their objectives rather than that of the Council i.e. lack of alignment to Council clients as greater alignment to ‘legal service business’. Could be paying for “Rolls Royce” big organisation service when “Aldi” version perfectly acceptable and effective for the Council’s needs.

SHARED- SERVICES (continued)	Advantages	Disadvantages
	Creation through pooled resources of shared specialist resource at lead authority which otherwise <i>might</i> have been procured more expensively	Lack of direct control. Use of shared resource might not be as cost-effective when compared with others elsewhere. Failure to match demand with capacity will result in client dissatisfaction and clients will vote with their feet, damaging reputation and viability as it is only a service if a service is made available.
	Training and development	Potentially less opportunity
	Library and research resources	Sufficient rather than extensive. (Mitigated though by existing procurement bulk buying discounts).
	Reduced risk of loss of expertise	Lack of direct control and availability of expertise dependent upon other clients and recruitment and retention of relevant 'expert(s)'. Loss of direct control over recruitment and retention packages
	Harmonisation of terms and conditions of contracts of employment	
	Ability to delegate functions between authorities	Accountability still retained.
	Ease of operation	Need to set out what is to happen if things go wrong (e.g. liability, compensation?, exit strategy)
	In-house legal practice subject to less regulation by regulators	If not the Council's legal practice, issues of accountability, responsibility and governance need to be dealt with as the 'Barnet experience' illustrates. Who makes decisions on future investment? Need to agree protocols.
	No valued added tax (VAT) so savings at relevant VAT rate (standard rate 20%)	None
	No <i>business requirement</i> to make a profit but may choose to.	If profit not shared with the Council (or if shared, not properly shared).
<p>Example: The shared legal service known as 'Public Law Partnership' which the Council is already a member of and which is 'a federation, with each council retaining autonomy in respect of their legal services provision whilst benefiting from the collaborative relationship across what is now four counties: Essex, Cambridgeshire, Hertfordshire and Suffolk'. Opportunity already exists for the Council to generate income to provide legal services to others (assuming capacity available).</p>		
<p>Example: The shared legal service between Rutland County Council and Peterborough City Council since May 2011 which utilises 'service level agreements' to define the level of expected workloads for Legal Services and to detail the process for 'reporting the work undertaken, monitoring the time/cost and dealing with any changes or complaints regarding the service).</p>		

<u>ALTERNATIVE BUSINESS STRUCTURE (ABS)</u>	<u>Advantages</u>	<u>Disadvantages</u>
Local authority ABS (Alternative Business Structure)	Third party investment	Loss of direct control. Effect of procurement rules if not wholly Council owned.
	Income generation with profits being given to the Council as the shareholder to prop up the Council's reserves	Having to compete for business with other 'private sector' firms in a crowded field as raison d'être is making money
	Ability to trade and over a wider range	Lost of direct control and risk of operation
	Independence of entity	Separation out from Council so what difference in 'brand' from other legal service providers – advantage of 'in-house' diluted or lost. Costs of operating entity and risk of failure.
		Greater regulatory requirements including ABS Insurance needed
	Need to compete fairly	Outside protection from state aid. Council cannot subsidise ABS as required to recover its investment.
		VAT charged
		Start-up and ongoing costs of separate entity. Increased overheads is a gamble in a highly competitive legal services market place as sufficient profits have to be generated at the relevant time in order to be successful.
		Corporation tax
Examples: 'Buckinghamshire Law Plus' Limited (which consists of Buckinghamshire County Council and Buckinghamshire and Milton Keynes Fire Authority) was the first ABS granted a licence in August 2014 and was effective from 24 November 2014.		
'HB Public Law' Limited (which is a company wholly owned by LBC Harrow – see above).		
<u>EXTERNAL</u>	<u>Advantages</u>	<u>Disadvantages</u>
Private Sector firm/locum	Pick and mix to deliver specialist services	Possibly higher fees as trading for profit rather than cost neutral. Fees can increase. Might tie in with one supplier on fee deal and cannot take advantage of the market place
	Detachment	Detachment and remoteness
	Capacity	Possibly higher cost per transaction unless competitive
	Market testing through rigours of full EU procurement	Need for full EU procurement process where transfer of service to the private sector, and costs of procurement exercise.
	No LG pension costs	None
		VAT charged

EXTERNAL (continued)	Advantages	Disadvantages
	Contract	If matter not covered by contract, there will likely to be a cost. Costs of entering contract. Bound. Need exit strategy.
	Savings in Council management	Need for intelligent client role to manage contract etc. otherwise loss of control inhibiting future strategic decision-making ('brain drain' creating dependency).
		No delegated functions can be exercised by contractor so still need to make such decisions in-house.