Better behaviour and greater transparency in local outsourcing needed to prevent £30bn bill

Tuesday 30 October, 2018

Failure by private firms to reform behaviour and improve how they deliver local public services could land councils with a mammoth and unaffordable £30bn bill, a new report from the think-tank Localis has found.

Entitled **'Ethical Commercialism'** the report shows moving all local services in-house would cost the public purse at least £30bn – with costs potentially outstripping any hoped-for savings from a market worth at least £69bn annually.

Greater levels of trust and standards of behaviour by private companies and greater levels of openness and transparency by local authorities will be vital to preserving public trust in a mixed market for public services – one which sustains council finances as well as local jobs and business, the report warns.

To avoid a breakdown in commercial trust, the report calls for greater social, environmental and economic responsibility when drawing up contracts. The report authors also advise local authorities should seek to make use of greater procurement freedoms after Brexit to favour firms who act ethically.

And to demonstrate the everyday effectiveness of commercial partnerships, councils should co-brand contracted out services with the logos of service providers, the report suggests.

Localis chief executive, Jonathan Werran, said: "A diverse, flexible and open market for local public services is one worth preserving for a very pragmatic reason, that being to keep going the countless thousands of vital services which millions of residents rely upon in their daily lives.

"Local government and the wider public sector simply can't afford the rapid collapse of a mature and complex market.

"However, there needs to be a reform on all sides. Private sector firms need to walk the walk of acting with fairness and decency in delivering public services.

"For their part local authorities must take responsibility for drawing up contracts that encourage good commercial behaviour and for presenting their commercial dealings to residents in an open and transparent way which can be readily understood."

C.Co managing director, Richard Harrison, said: "Local residents, rightly expect high quality services delivered with integrity and transparency.

"We are seeing some excellent examples of new models emerging, which put ethical behaviour at the heart of service delivery. Wherever possible, we should be encouraging organisations which deliver social value, as they deliver greater benefits to our communities."

Geoff Tucker, group director of Norse Commercial Services, said: "With public perception of outsourcing to the private sector becoming increasingly negative, it is now more important than ever that local authorities are able to demonstrate that they are considering alternative ways of delivering services.

"At Norse Group we believe that partnership working can provide cost efficiency, maintain service standards, and at the same time meet this demand for ethical commercialisation.

"We are delighted to support this groundbreaking research project, which has resulted in this important and far-reaching report."

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Notes to Editors:

- The report is being launched from **3.00 p.m. on Tuesday 30 October** at The Institution of Civil Engineers and further information can be found here: http://localis.org.uk/events/report-launch-ethical-commercialism/
- A copy of the report can be downloaded here: "Ethical Commercialism – Reforming Public Service Markets"
- **Report Recommendations**

- Local authorities should develop procurement strategies in collaboration with neighbouring authorities and the private sector to outline the key goals for service delivery, sustainability and innovation.
- Local authorities should co-brand all contracted-out services with the service provider to stress partnership and promote knowledge of the everyday effectiveness of many contracted services.
- Local authorities should be encouraged and incentivised to employ relationship managers on the demand-side, in recognition of the importance of long-term relationship building to developing mutual trust.
- Relationship managers should be given leeway to overrule the need to publish all contracts on ContractFinder – under conditions where awarding an existing provider would work to strengthen the bond between the provider and the local area.
- Cabinet Office guidelines for procurement should be refocused away from rigidity and towards flexibility, giving both sides the greater room for manoeuvre.
- The Local Government Association should oversee the development of a single platform for local government contracts data – using as a basis for imitation Nomis UK, the ONS data explorer and Public Health England's 'Fingerprints' tool.
- This platform should also be inclusive of any relevant Key Performance Indicators of the service.
- When Britain leaves the European Union, local authorities should be allowed to give preferential treatment to employers paying the living wage in their area.

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Additional Assets:
Localis report - "Ethical Commercialism - Reforming Public Service Markets"

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