

WHY UK COUNCILS NEED TO COLLABORATE TO THRIVE



Engagement is essential to help local authorities navigate and mitigate the tough times ahead. Expert facilitator, YPO, can support them through it, particularly with its knowledge of the insurance market and relationships with top suppliers

The UK is facing a massive financial crisis following the fallout from Covid-19. For local authorities to manage unprecedented difficulties – as well as capitalise on the opportunities, such as new ways of working – it will require continued and deeper collaboration.

Councils will need to engage with each other, stakeholders and suppliers to cope with myriad adverse impacts, build back up and mitigate as yet unforeseen future tests. “The pressure will build on local authorities, with never-before seen challenges,” says Gavin Rimmington, Head of Public Sector at YPO. “There’s going to be massive societal pressure around schools, vulnerable people, the economy, unemployment and social behaviour, and councils are at the heart of it all. “One of the ways to address those challenges is through collaboration. Not just in terms of procurement outcomes but by organisations working together and investing time to ensure those outcomes are delivered.”

As expert collaborators and facilitators that sit between public sector procurement and suppliers, YPO can help. The not-for-profit was formed in 1974 after a group of 13 local authorities set out to achieve efficiency savings by combining purchasing requirements for schools. YPO has expanded its reach and is now the country’s largest local authority-owned public sector buying organisation. It turns over around

£1bn, has a large and diverse customer base and offers more than 100 framework agreements covering everything from food to furniture, social care to catering, technology to utilities.

Insurance is one of the many frameworks it offers. YPO advises procurement to have open conversations with internal stakeholders and potential suppliers about the possible risks they face. This will enable them to put strong and suitable insurance arrangements in place to protect their authorities and the communities they serve.

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“Procurement needs to be involved in organisational discussions spanning current and future risks,” says Rimmington. “This includes how they will serve the needs of their communities and workforce, changing digital requirements, ambitions and plans, cyber crime, sustainability and more.” Too few purchasers, however, have the time to understand this complex market.

In this white paper we explore some of the challenges that loom on the horizon and how collaboration with stakeholders and suppliers will better prepare them for what’s ahead.

The current crisis

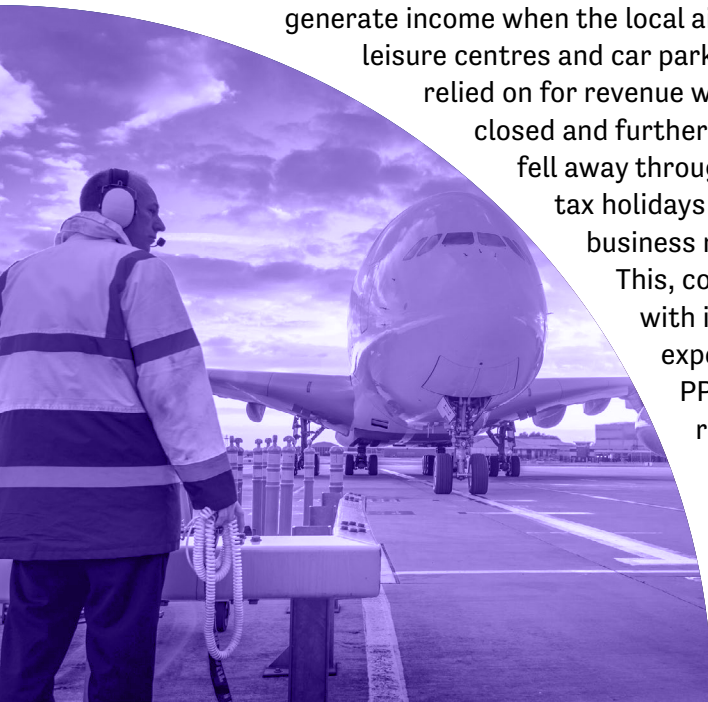
In June, three months after the UK lockdown began, the BBC reported that 150 local authorities had forecast a combined budget shortfall of at least £3.2bn. Some of the largest councils were warning they may have to declare themselves effectively bankrupt unless the government agrees to further support.

They face numerous challenges, among them, how to generate income when the local airports, leisure centres and car parks they relied on for revenue were closed and further money fell away through council tax holidays and lost business rates.

This, coupled with increased expenditure on PPE and the rising cost of social care, has had a crippling effect on many councils.

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In contemplating their future and how they will plug the funding gap, local authorities need to consider new ways to generate revenue (*see box below*) but they must also seek to work with insurers to mitigate future risks. “It’s going to be tough and there’s a real risk it could break down in a lot of areas,” says Rimmington. “If we at YPO can do some of the stuff that takes the pressure off in your organisation, that allows you to think a little bit more strategically.” ▶



REVENUE RAISERS

COMMERCIALISATION AGENDA

For local authorities to survive the impending economic crisis, they will have to think creatively about sources of income.

In October 2017, YPO and The London Borough of Waltham Forest unveiled a national HR services and resourcing framework they had produced together for any local authority to access. It is believed to be one of the first types of collaboration in the HR arena in the country. The local authority lent its

expertise in the category while YPO brought its experience of frameworks to create a national solution.

The Local Government Resourcing Partnership (LGRP) is now a co-branded framework that provides access to leading recruitment agencies, knowledge-sharing opportunities for YPO and Waltham Forest and commercial benefits to both. “The growth on that framework has been phenomenal, it’s been a collaborative win-win,” says Gavin Rimmington, Head of Public Sector at YPO.

“We can’t work with everyone but there are always opportunities for local authorities to work with organisations like YPO.”

The framework provides public sector organisations access to HR services including executive, interim, and permanent recruitment, HR consultancy, as well as HR marketing and advertising. It has a national supplier base of nearly 30 providers and there’s no access fee for users.

Go to www.lgrp.co.uk for details.

The current crisis cont'd

As an outward-facing procurement organisation, collaboration is a daily activity at YPO where its professionals have time to invest in supplier relations and developing a deep understanding of markets. “We can’t provide advice on which insurance you buy, but we can provide guidance and support,” says Rimmington. “We spend time with buyers and suppliers to understand their issues and what works well.”

Agnieszka Gajli, category manager, corporate and financial services, works very closely with a panel of suppliers to provide an insurance framework solution to YPO customers, as well as free consultation to existing and potential customers. She says buying insurance isn’t like securing other deals because it’s about mitigating against the unknown.

Too often, she says, procurement professionals fall into the trap of thinking they want to achieve savings from an insurance deal but that’s not always possible, nor is it the correct approach to take. “In insurance it’s all about the sustainability of the contract, it’s about your risk profile and how you make sure you protect your organisation in say 20 years.”

Without careful consideration of possible scenarios and outcomes the decisions authorities make today could be front-page negligence stories in a decade’s time.

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Insurance insight

To help provide public sector buyers, legal advisers, risk and insurance managers with more insight into the market, in July Gajli pulled together a panel of experts and partnered with Supply Management Insider to share some insight in a YPO-sponsored webinar.

During that event, panelist Alison Goodwin, public sector practice leader at risk management services and insurance products provider Aon, outlined some of the reasons why savings are not always possible. Currently, she said, insurance is experiencing a ‘hardening market’, which is what happens when insurers are typically paying out more than they’re getting in. As a result, premiums go up. She said the market is cyclical and the last time it hardened was around 2001/02 and the current tightening began in 2018.

“2017 was the costliest year on record for natural catastrophic events – such as hurricanes, earthquakes in Mexico and major floods in China, India and Sierra Leone,” said Goodwin. “Claim settlements are generally getting larger and, as well as paying out more, low interest rates mean insurers are earning less from those premium incomes.”

To make matters worse, there is reduced capacity with underwriters getting

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choosier about which risks they will back and the market has shrunk, which there are means fewer competitors. “Premiums are going up by an average of 30-35% but in some high-risk industry sectors it’s as high as 400%,” she warned. “Current indications are that this hard market is likely to be deeper and last longer than it did in 2001.” And that’s before the additional costs and risks associated with the impact of Brexit and Covid-19 have been factored in.

“Underwriters are asking more questions than ever before, so as brokers we suggest everyone sets aside more time for insurance placement, whether its for a tender or the annual renewal process, to answer those questions.” The more you understand about the future your organisation faces, the more you’re able to explain both the knowns and unknowns to a broker, which is likely to generate more quotes.

“Insurers are requiring more information and more detail. Tell them your story, talk to them about how the risks associated with your organisation may change,” advises Rod Penman, head of public services at insurer Zurich Municipal. “Many customers are paying pretty close to the premiums they paid 10 years ago, and we’ve got Covid and Brexit to be factored in as well. Local authorities will be at the centre of it, they will have to continue to provide services, and if more people fall into poverty they will require more services and that adds risk to us.” ▶

Insurance insight cont'd

Changing ways of working are also resulting in new risks. Penman cites the example of a local authority chief who said that once there is a return to normality her authority will only go back to occupying two of its five office buildings. "That brings up all sorts of issues," says Penman.

It could be anything from ergonomic issues emanating from home working where the workspace may not have been fully assessed or the furniture and equipment being suitable, to issues around data security associated with GDPR.

"Don't hide problems, if you have one, tell your insurer and explain what risk management you applied and most importantly what was the effect of that risk management. That's how you'll get the best terms as we go through a hard market." Both Goodwin and Penman say they like working with YPO because they seek to understand the requirements and challenges on both sides of a deal, as well as how insurers can support customers.

"YPO collaborates with all sides to try to ensure the best fit, rather than just try to get volume suppliers on a framework," says Penman. "It brings the right insurers and brokers to the right customers." Goodwin adds: "It understands the market and takes the time to get to know suppliers and local authority customers. It appreciates what does and doesn't work and provides easy-to-understand processes and tools to help."

YPO's Gajli: "We highlight at a high level the things councils need to consider, help them to understand the value brokers bring to the process and introduce the two. Brokers can tell you how the market views certain types of risk and prepare you about how to engage with certain insurers. Without them, you only get one quote because there is only one insurer who deals direct with the sector."

"We're the facilitator who sits in the middle to help procurement," says Rimmington. "We have a relationship with the suppliers and the brokers and help procurement to bring everyone at their own organisation together to the table."

Penman says while the public sector has a tender process to follow, desired outcomes, rather than process, should be the focus. Goodwin adds that it's disappointing insurers rarely get the opportunity to present to potential customers about how they can add value.

Penman: "One of the best procurement examples I've seen in recent years was when a local authority invited shortlisted suppliers to present in their own offices. When we finished our presentation the buyers asked: 'Can we go and talk to your claims handlers now? I want to see what you've just told us in evidence.' That was brilliant, we weren't expecting it and it was really effective procurement."



Risk management

In addition to liaising with in-house legal professionals and insurance managers, procurement should be involved with discussions around risk management – what possible problems their authority faces and how they plan to tackle them.

“Risk management has a reputation as a dry process,” says Alix Bedford, risk proposition manager at Zurich Municipal. “It has too often been treated as simply a register that was done once a year and put back on the shelf, but in the past few months it’s been front and centre in decision making. People have had to increase their risk appetite and take decisions based on balance.”

Mature, successful organisations will have incorporated risk management decision making into their business as usual approach so they can respond to changing situations, but that’s true for too few.

“In insurance, procurement is looking to transfer an element of risk to another organisation, but before that, the risk should have been assessed by risk, insurance and service managers. Procurement needs to be involved

“If you procure the wrong thing because your request didn’t reflect the risk you are trying to mitigate it will inevitably lead to more risk and more cost down the line”

in those discussions to understand what risk they are transferring, what they’re retaining and what their plans are around mitigation.”

Depth and detail is required because risk isn’t generic, she argues. Even in the case of PPE, what was suitable equipment for one part of the sector was not sufficient for another.

“You can’t outsource understanding of your organisational aims or your unique risks. If you procure the wrong thing because your request didn’t reflect the risk you are trying to mitigate it will inevitably lead to more risk and more cost down the line,” says Bedford. ▶



Risk management cont'd

And that includes sharing information about what you don't yet know. She highlights the example of a large organisation that had an ambitious five-year plan including acquisitions, consolidation of assets and changes who wanted to find an insurer that would flex with them so they didn't need a fresh market exercise in that period. "That led to some really good discussions and a strong relationship because we had a mutual understanding of plans."

"It's about agile governance," says Gajli. "If your risks change, they may not be covered, so you must talk to your insurers about anything new that's emerging or has emerged. For that, you need the right relationship with the right insurer. Risk assessments are now being placed front and centre of conversations, and that's been one of the biggest changes for our public sector colleagues."

This period has also forced organisations to consider their own business continuity and resilience plans, many fell desperately short of where they should be, leaving them to spend weeks sourcing IT equipment to get up and running again.

"Do you know what's in your organisational response plans?" asks Bedford. "If you lost a building to a major fire or flood, does your insurer have a supply chain of its own to get it running again as soon as possible or would you be waiting for financial payouts so you can source things yourself? "Organisations have found out if their supply chains are just a series of inflexible contractual arrangements or if they have good relationships with suppliers."

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Be engaged and get involved

Insurance arrangements shouldn't be treated simply as a contract that needs a renewal. Consider what's changed and changing, your future plans, risks and how to manage them, then put it to potential insurers and ask them to present on how they can help.

To be able to have these conversations with suppliers, you will first need to collaborate with your stakeholders and test your own understanding of your organisation's objectives. "Too often procurement complains that stakeholders only come to them when they're in trouble, but why is that?" says Rimmington. "Not only should procurement be engaged with that stakeholder themselves already, but why is that stakeholder in trouble?"

"Procurement needs to be engaged with the supply market and internal stakeholders. If they don't know the budget, the challenges or requirements, they will not be able to translate their organisation's need into an effective tender.

“ Collaboration underpins everything we do. If you don't talk in relationships, they disappear. You won't get a great outcome if you issue a faceless tender”

LAYING DOWN THE CHALLENGE

QUESTIONS TO ASK YOURSELF

- How well do you understand the overall aims of your organisation?
- Do you consider the outcomes you want to achieve when talking to suppliers?
- Do you understand the risks your authority faces?
- Do you consider those when sourcing a new insurance deal?
- How well do you engage with internal stakeholders in legal, finance, risk and insurance?
- How well do you understand the insurance market?
- What do you look for when securing a new insurance contract?
- Do you speak to or meet with brokers or suppliers?
- Are you open about new challenges as they arise?
- Do you need an expert facilitator to assist you?

"Collaboration underpins everything we do. If you don't talk in relationships, they disappear. You won't get a great outcome if you issue a faceless tender. You need to engage, converse and exchange opinions.

"We don't know what's going to happen in the future, but talking and sharing ideas will help and to be able to influence outcomes, you first need to be involved."

About YPO

Better value, delivered

YPO supplies products and services to a wide range of customers including schools, local authorities, charities, emergency services, public sector and other businesses such as nurseries and care homes.

We're 100% publicly owned, by 13 local authorities, which means the profits we make are returned to our public sector customers, delivering even better value for money.

We have a large choice available from leading UK suppliers, so we can provide you with everything you could possibly need to successfully run your organisation.

To find out more about YPO's insurance solutions - the Insurance Brokerage Framework Agreement and Insurance Placement DPS - please contact:

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