



# OUTSOURCING

## COMMERCIAL ADVANTAGES

The outsourcing of essential functions within a business can often provide real benefits, both operationally and financially. Outsourced services and functions are diverse: payroll, billing, IT support, call centres, mailroom services, hospitality, cleaning, delivery services and others. In each case, they are activities businesses believe can be more successfully provided by an expert third party with a tailored solution.

Outsourcing means a business can use experienced professionals to provide services and functions with a level of expertise and at a cost that often cannot be matched "in house." It may also provide an opportunity for 'upskilling' existing staff. As well as quality and cost advantages, outsourcing often gives the flexibility a business wants, allowing it to respond with greater agility in a constantly shifting environment. Whether undertaken on a large or small scale, outsourcing raises a variety of commercial, legal and often regulatory issues on the award of the outsourcing contract, during its course, and on termination of the arrangements. Both parties to the outsourcing arrangements need to ensure that their respective positions are adequately protected.

## KEY ISSUES

The legal issues will vary significantly from transaction to transaction, and may include:

### Commercial

- Preliminary advice on tender procedures
- Defining the scope of the outsourced responsibilities
- Any capital expenditure requirements
- Transfers of assets and contracts
- Structuring of key financial terms such as pricing and payment structures
- Providing for transition of services
- Performance warranties
- KPIs/service levels and service credits
- Risk allocation provisions and appropriate limits on liability

### Key commercial issues

Transfer of  
Undertakings  
(Protection of  
Employment)  
Regulations 2006  
(TUPE)

- Dovetailing of sub-contracted services
- Exit management and negotiation of early terminations

#### Employment law

- Impact of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE)
- Assisting with the TUPE consultation process
- Protection of positions on award of contract and dealing with any transfer of staff to the service provider under TUPE
- Protection of position on termination of the contract or any services and dealing with any transfer of staff to the customer or replacement service provider under TUPE
- Any commercial deal around any redundancies

#### Pensions

- Dealing with pension responsibilities to transferring staff
- Negotiating and drafting warranties and indemnities

#### Property

- Underwriting the costs of acquisition of any new property required by the service provider
- Transfer of any property from customer to service provider
- Dealing with other assets that may be required by the service provider or which are redundant to the customer
- Dealing with terms upon which the service provider may occupy any premises of the customer during the term of the arrangements and vacating such property
- Dealing with any transfer of property upon termination back to customer/new service provider
- Underwriting any undepreciated costs of the service provider in relation to property acquired

#### IT and IP

- Transfer or negotiation of software licences
- Transfer or acquisition of system equipment and funding
- Maintenance of systems/interface issues
- Data protection issues, including compliance with the General Data Protection Regulation and related legislation
- Granting of rights to use marks and branding

#### Competition Law

- Exclusivity issues
- Non-compete covenants

#### Other regulatory issues

- Compliance with Bribery Act 2010, Modern Slavery Act 2015 and supply chain transparency requirements generally
- Ensure compliance with industry-specific outsourcing rules and regulations, for example outsourcing in the financial services sector

## HOW CAN STEVENS & BOLTON LLP HELP?

Stevens & Bolton LLP can advise on all stages of the legal process using our considerable expertise of outsourcing projects (both domestic outsourcings and outsourcing to overseas jurisdictions), acting for both businesses appointing outsourcers and also service providers, including advising on:

- Key areas outlined above
- Tender documentation - requests for tenders and responses
- Confidentiality agreements and heads of terms
- Preliminary Start-up and other documentation
- The main agreement
- Sub-contract arrangements
- Employment issues
- Termination and settlement agreements

For service providers and others frequently involved in outsource situations, we can also assist with preparing standard documentation, guidance notes and checklists. We also provide advice on 'insourcing' arrangements, where a previously outsourced service is brought back "in house", for example where outsourcing experiments have not worked out.

## STEVENS & BOLTON LLP COMMERCIAL TEAM

The Stevens & Bolton LLP commercial team has extensive experience of a broad range of commercial arrangements, including IT contracts, supply and manufacturing contracts, agreements for service provision, outsourcing, consultancy, agency/distribution and promotional work. We work with specialists from departments within the firm to ensure a comprehensive package of advice is tailored to fit your requirements. We aim to work with you, to understand your commercial objectives and pro-actively develop the deal in a pragmatic manner, whether you are the customer, the service provider or sub-contractor.

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## KEY CONTACTS

For further information about any of the issues raised in this guide, please contact:



**Beverley Whittaker**

Partner

T: +44 (0)1483 734281

M: +44 (0)7867 522929

E: [beverley.whittaker@stevens-bolton.com](mailto:beverley.whittaker@stevens-bolton.com)



**Gary Parnell**

Partner

T: +44 (0)1483 734269

M: +44 (0)7738 695666

E: [gary.parnell@stevens-bolton.com](mailto:gary.parnell@stevens-bolton.com)



**Beverley Flynn**

Partner

T: +44 (0)1483 734264

M: +44 (0)7769 708486

E: [beverley.flynn@stevens-bolton.com](mailto:beverley.flynn@stevens-bolton.com)

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## STEVENS&BOLTON

Wey House, Farnham Road  
Guildford, Surrey, GU1 4YD  
Tel: +44 (0)1483 302264  
Fax: +44 (0)1483 302254  
DX 2423 Guildford 1  
[www.stevens-bolton.com](http://www.stevens-bolton.com)

The information contained in this guide is intended to be a general introductory summary of the subject matters covered only. It does not purport to be exhaustive, or to provide legal advice, and should not be used as a substitute for such advice.

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