

SHARED SERVICES **Strategy 2008-2011**

April 2008

1. Introduction

- 1.1 The Council recognises that in order to deliver its priorities and to improve the quality of life for local people it needs to work effectively in partnership with other statutory and voluntary agencies as well as the private sector.
- 1.2 Shared Services and Partnerships can bring significant benefits. They are a response to the many complex and multi-faceted problems that face our community that cannot be tackled effectively by any individual body working alone. Partnerships can provide flexibility, innovation and additional financial and human resources to help solve problems.
- 1.3 The Council has a priority to achieve value for money in the delivery of its services and recognises the need to examine all its activities to make best use of its resources and in particular to explore the possibility of services being shared and delivered in partnership with others.
- 1.4 This Strategy has been developed having regard to national research and is based on the framework produced by the European Services Strategy Unit.

2. What is meant by Shared Services?

- 2.1 Shared services are fundamentally about optimising people and their skills, assets, time and other resources. A shared service arrangement, regardless of the governance model under which it operates, can in theory handle any business function effectively, as long as there is competent management to realise the benefits and performance criteria that meets the needs of the partnering organisations.
- 2.2 Sharing services provides the opportunity to reduce waste and inefficiency by reorganising or reusing assets and sharing investments with others. Processes, facilities, maintenance contracts and management effort are likely to be duplicated across different organisations. These could be organised more effectively locally and could free resources that could be re-invested in citizen-focused activities and the improvement of services.
- 2.3 The concept of shared services applies to both 'support' and 'direct' services. Successful shared services:
 - are user focussed and personalised, organised around users and citizen needs and aspirations, not the convenience of the Council
 - drive up quality and encourage innovation
 - continue to improve efficiency and productivity
 - are joined up and minimise separation;
 - ensure strong accountability.

3. Public sector shared services typology

3.1 Various typologies of shared services have been developed but they lack clarity and reflect the different interpretation of shared services between central and local government and other public bodies. A new six-part typology is proposed based on the type of relationship between public sector organisations.

Public sector shared services typology	
1	Collaboration and shared procedures between two or more public bodies
2	Corporate consolidation within a public sector organisation at regional or national level
3	Lead authority on behalf of a group of public bodies
4	Jointly managed services between a group/consortium of public bodies at subregional or regional level.
5	Strategic partnership or joint venture with the private sector
6	Outsourcing and offshoring

Source: European Services Strategy Unit, 2007

3.2 On this basis, for the Council shared services include:

- The Council providing services to another organisation
- Other organisations providing services to the Council
- The Council working with other organisations to deliver a common objective (for example, town centre redevelopment); and
- A looser federation of common interests.

4. Vision

4.1 To provide locally determined, integrated, simplified easily accessible value for money services.

4.2 Our overall vision and commitment to shared services is based on collaboration, consolidation, lead authority and jointly managed services projects. We will focus on innovation and best practice, sharing investment costs, minimising transaction costs and service improvement strategies to achieve real service transformation where it matters most.

4.3 By 2011 through shared services we will

- **Enjoy high quality cost effective service improvements**
- **Have invested cost savings in frontline services and local initiatives**
- **Have more capacity and improved service resilience**

5. Principles for Shared Services

5.1 In order to ensure that the quality of service, democratic accountability and governance, the quality of employment and a rigorous planning process are achieved, shared services projects should adopt the following principles:

Principles for shared services	
Scope and quality of service	
1	Focus on collaboration and sharing best practice in frontline as well as back-office services.
2	Take a long-term perspective and avoid short-term focus on efficiency and savings.
3	Improve the quality of service to internal and external users.
4	Full use of economies of scale to maximise benefits for reinvestment in frontline services.
5	Standardisation to maximise sharing potential and avoid duplication but accommodate local flexibility and added value services.
6	Promote and enhance public service principles and values.
Democratic accountability, governance and participation	
7	Democratic accountability and governance with all joint boards, committees and JVCs fully accountable to partner authorities.
8	Trade union involvement in the early stages of project development and in project implementation.
9	Impact assessment of service and employment consequences and economic, financial and equalities issues.
Shared services process	
10	Rigorous evaluation of options using comprehensive appraisal criteria
11	Retention of skills and intellectual knowledge in the public sector.
12	Maximise public ownership of assets (buildings, equipment).
13	Transparency of process and disclosure of information and evidence base
14	Full business case and business plan to underpin project.
15	Assess impact of commissioning and outsourcing on scope and sustainability of shared services.
16	Rigorous and comprehensive procurement process if this is required.
Employment	
17	In-house/secondment option a priority. Transfers on a TUPE Plus basis including pensions for transferred and new staff.
18	Develop a multi-skilled and motivated workforce and a work environment to support workforce development and continuous improvement.

Source: European Services Strategy Unit, 2007.

6. An Evidence-Based Strategy

6.1 The evidence underpinning shared services projects must be comprehensive and rigorous to identify all the costs and benefits in the planning, design, negotiating and implementation stages. We shall, therefore, use the following key lines of enquiry:

- Verify sources to ensure relevant independent research.
- Avoid inflating efficiency savings forecasts to gain support because this is almost certain to jeopardise the project at a later date.
- Investigate all the operational, investment, staffing, managerial and governance needs of each option.
- Select options which are realistic, likely to have political support and are sustainable.
- Design systems which maximise benefits to service users, improve and integrate services.
- Assess the internal evidence in the authority on previous/current collaboration and commissioning.
- Identify the full range of transaction costs (including setting up and procurement costs, consultants fees, client and project management costs)
- Assess the impact of options on the different groups of stakeholders and the local economy.
- Use private sector evidence of shared services with care and only compare like with like.
- Review evidence from failed or less successful projects which can be just as useful as the more successful ones.
- Prepare a full Business Case with supporting evidence.

7. Wyre Forest's Strategic Approach will:

- Develop shared services on the basis of the realistic benefits of collective provision and reallocation of resources to frontline service improvement rather than for crude efficiency objectives and shared services dogma.
- Use administrative arrangements, delegated and lead authority responsibilities, alignment of service delivery and joint working principles to avoid the need for a procurement process, which inevitably leads to more outsourcing.
- Enhance democratic accountability and transparency by concentrating primarily on working arrangements which do not require the formation of new companies or organisations.

Decisions on shared services organisational structures "need to be pragmatic, based on the aims of partnership and circumstances of the parties involved (DCLG, 2007). The formation of new companies and JVCs only add new layers of management and control and diffuse accountability. These companies readily adopt commercial and business practices and organisational structures which make them more vulnerable to full privatisation.

- Oppose remote delivery of services unless there is a convincing business case for 'cheaper' locations. Once remote delivery is accepted in principle then the lure of larger 'savings' by outside district locations is inevitable.
- Draw directly on the experience and lessons learnt from existing shared services projects. Minimise the use of management consultants who often select case studies with a lack of objectivity and assessment of local needs.
- When it is necessary to obtain additional technical, financial and/or legal advice, develop a clear and concise brief and select carefully.
- Challenge proposals to aggregate services. Aggregation by smaller local authorities and other public bodies may make the project too big to manage internally so they turn to outsourcing. Aggregation may also lead to remote delivery.
- Develop incrementally so that the objectives, principles, costs and benefits can be drawn up in tandem with political, managerial and employee/trade union support.
- Consider both joint commissioning *and* joint provision of services.
- Value staff and work with them and trade unions to jointly address the management of change to safeguard the quality of services and jobs, which is also in the interests of service users and the local economy. An internal and external user perspective is essential in deciding which services can be jointly provided.

8. Democratic Governance and Accountability

8.1 To ensure strong democratic governance and accountability we will focus on:

- Documented, strong and agreed governance, including:
 - The audit arrangements in place;
 - The performance management systems in place;
 - The risk management processes in place;
 - Clear roles and sensible allocation of responsibilities.

- Different governance models to ensure democratic accountability in collaborative, consolidation, lead authority, jointly managed, strategic partnerships and outsourced shared services projects.
- Organisational structures which are inclusive, democratic and accountable to host public sector bodies
- Transparency and disclosure of information between participants, member public sector bodies and the public.
- Jointly managed projects genuinely sharing and rotating responsibilities.
- Staff/trade union and service user representation on project working groups.
- Membership of Strategic Service Delivery Partnership Boards being representative and accountable with comprehensive disclosure, reporting, scrutiny and review requirements.
- Constantly monitoring the representation, roles and responsibilities of Strategic Service Delivery Partnership Boards

9. Employment Arrangements

- 9.1 Shared services projects must examine the employment options – in-house, secondment and transfer – and ensure the different levels of risks borne by staff in these employment models are included in project risk assessment. In-house and secondment options must be prioritised. Where staff transfers are required they should be on a TUPE Plus basis.
- 9.2 The Best Value Code of Practice on Workforce Matters is intended to ensure new starters are on similar terms and conditions to avoid a two-tier workforce.
- 9.3 Key employment policies which must be addressed include:
- Staffing levels
 - National terms and conditions
 - Pensions
 - Location
 - Relocation expenses/allowances
 - Redeployment and retraining
 - Equalities and diversity
 - New employees
 - Training and skills
 - Involvement in project planning, design and management of change
 - Changes in working practices
 - Industrial relations framework and governance of project
 - Trade union recognition and facilities

9.4 The impact of job losses, and 'additional jobs' created by the expansion of shared services projects, on the local/regional economy must take account of:

- Net gain or replacement of jobs lost through business process re-engineering.
- Relocation impact taking account of job losses elsewhere.
- Assessing economic and social impact of gain and losses in different locations.
- Job forecasts based on realistic assessment of growth and displacement.

10. Comprehensive appraisal criteria and impact assessment

10.1 A two-stage appraisal process is required. The first stage requires assessing shared services options using the framework of principles of shared services (see para 5.1 above).

10.2 The second stage requires assessing the options using a comprehensive options appraisal framework, which is divided into 12 sections:

1. **Design and scope:** How each option meets strategic objectives, vision and aspirations, ability to meet current and future needs, user views, effect of creating/extending market mechanisms, scope for synergies and design/technical assessment.
2. **Accountability, governance and participation:** The implications of each option for enhancing democratic accountability, transparency and scrutiny and user/community and staff/trade union involvement in planning, policy and provision.
3. **Financial assessment:** Assess whole life and transaction costs, investment requirements and funding, affordability, use and allocation of savings, Best Value and risk assessment.
4. **Quality of service:** The potential impact on performance, service integration, continuous improvement and innovation, flexibility and responsiveness, accessibility and connectivity.
5. **Local/regional economy and community well being:** Assess impact on jobs, skills, labour market and local economy, contribution to regeneration and economic development strategies, community well being and cohesion.
6. **Quality of employment:** Application of employment models to each option, ability to retain terms and conditions, pensions and labour standards, impact on working practices, workplace training, access/provision of childcare and health and safety in workplace and community.

7. **Sustainable development:** Impact on local/regional production and supply chains, access to parks and recreational activities, services and facilities, environmental impacts and efficient use of resources.
 8. **Ability to address social justice and inequalities:** The appraisal should identify how each option will reduce/eliminate health and other inequalities and discrimination for different equality groups. It should include a distributional analysis of the costs and benefits of each option and assess the contribution to building community capacity, power and participation.
 9. **Capability, management and intellectual knowledge:** Effect of each option on retention of key skills and intellectual knowledge, ability to manage change and regulatory frameworks and transferability of skills to rest of the authority.
 10. **Organisational arrangements:** Effect on flexibility, scope for collaboration and consortia, impact of transfer to arms length bodies and trusts and capability of third sector organisations.
 11. **Added value:** Proposals over and above core requirements and additional community benefits.
 12. **Corporate impact on the authority:** Assess the impact on the viability of in-house provision, service integration and the financial and employment knock-on effects on central and other services.
- 10.3 All 12 elements are applicable in all options appraisals although the level of detail will vary according to the service or project being assessed.

Source: European Services Strategy Unit, 2007.

11. Risk Management

- 11.1 All projects have risks and shared services are no exception. In addition to the usual project management, financial and operational risks there are also risks arising from having more than one client and/or clients from different services. They include:
- Benefits are much smaller than first assessed which has a knock on impact on budgets.
 - Job losses, relocation, transfer to private contractors, cuts in terms and conditions and lower quality pension impose economic risks on staff.
 - Differences emerge between public sector bodies regarding the objectives and purpose of the project.

- Differences in management and cultural fit are more substantial than envisaged and causes delays.
 - The required level of business process re-engineering is under-estimated causing technical problems and additional costs.
 - Reaching agreement on a suitable governance model takes much longer because of different types and levels of accountability and transparency in cross sector projects (for example local government, health, police).
 - Failure to involve staff and trade unions in the planning and design of the project leads to opposition and political decisions to restrict the scope of the project.
 - Disputes arise as a result of competition between authorities on the location of facilities and staff.
 - Agreement on IT/software and operating systems cannot be reached because of previous investment and commitments.
 - Conflict arises over the role of the private sector in the shared services project.
 - Conflict arises over the role, use and appointment of particular management consultants in developing the shared services project.
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