

SHARED SERVICES **Strategic Framework**

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Strategy Unit**

(Continuing the work of the Centre for Public Services)

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The Shared Services Strategic Framework was developed following a research report, *Shared Services in Britain*, commissioned by the Australian Institute for Social Research, University of Adelaide and the Public Services Association. The full report can be downloaded at www.european-services-strategy.org.uk

May 2007



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The **European Services Strategy Unit** is committed to social justice, through the provision of good quality public services by democratically accountable public bodies, implementing best practice management, employment, equal opportunity and sustainable development policies. The Unit continues the work of the Centre for Public Services which began in 1973.

A progressive approach

A progressive shared services strategy should include the following elements:

- A vision of, and commitment, to shared services should be based on collaboration, consolidation, lead authority and jointly managed services projects to avoid unnecessary competition. It should focus on innovation and best practice, sharing investment costs, minimising transaction costs and service improvement strategies.
- Shared services should be developed 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.
- The horizontal and vertical integration of services at regional/subregional levels should be a prime objective by sharing best practice and joint service delivery. This must extend beyond shared procurement of goods.
- Enhancing democratic accountability and transparency is vitally important. 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.
- A social justice agenda should address the redistribution of public resources which should be mainstreamed in all service provision.
- 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.
- Skills and intellectual knowledge must be retained in the public sector to increase capability and to develop collaborative, lead and jointly managed projects.
- Joint investment has many benefits because a single authority may have difficulty funding or attracting the required level of national funding. It could also encourage the development of subregional infrastructure plans to provide a network of related and supporting but more local facilities.
- It is essential that most of the savings from economies of scale and the application of new technology are transferred to frontline services and local investment.

Public sector shared services typology

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

Principles for shared services

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.

Potential benefits of shared services

The potential advantages of shared services often get buried in the transformation rhetoric and confused with the process of change and organisational structures, which should be a means to an end rather than being a core objective.

- Learning and sharing best practice through collaboration and lead authority roles.
- Pooling and sharing of resources and investment in new systems, which may not otherwise be affordable by an individual authority.
- Achieving economies of scale and efficiencies thus reducing the cost of services

(fewer locations, systems and equipment) and redirecting savings to frontline services.

- Applying new technology to simplify and standardise processes.
- Improving the quality of services by redesigning and reorganising delivery methods.
- Sharing training and development costs.
- Increasing public sector capability and flexibility to absorb peaks and troughs.

Shared services risks

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, threat of offshoring, 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.
- The combined effect of commissioning, choice and personalisation, more Private Finance Initiative/Public Private Partnerships, Building Schools for the Future/Local Education Partnerships and the transfer of services to arms length companies, trusts and voluntary organisations significantly reduces the scope of shared services projects.
- 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.

Shared services projects outsourced to the private sector will extend the marketisation and privatisation of public services. It is also likely that outsourcing includes offshoring some work to Asia or Eastern Europe.

A public sector shared services strategy

A strategic approach should be developed which:

- Uses 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.
- Local authorities and public bodies should concentrate 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).
- Oppose remote delivery of services – arguing for 'cheaper' locations in Britain is simply a precursor to offshoring. Once remote delivery is accepted in principle then the lure of larger 'savings' by offshoring 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. Remember, the shared services agenda presents another opportunity to promote outsourcing and marketisation.
- 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 and ultimately offshoring. Companies and consultants will use shared services projects to promote their systems and services: standardisation + aggregation = bigger contracts = larger companies = increase market share = less competition in the supplier market usually at the expense of regional companies and SMEs.
- Develop incrementally so that the objectives, principles, costs and benefits can be drawn up in tandem with political, managerial and employee/trade union support.
- Shared services should cover both joint commissioning *and* joint provision of services.

Democratic governance and accountability

Different arrangements will be required to ensure democratic accountability in collaborative, consolidation, lead authority, jointly managed, strategic partnerships and outsourced shared services projects.

- Organisational structures must be 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 should genuinely share and rotate responsibilities.
- Staff/trade union and service user representation on project working groups.
- Membership of Joint Venture Companies, Public Private Partnership and Strategic Service Delivery Partnership Boards should be representative and accountable with comprehensive disclosure, reporting, scrutiny and review requirements.
- Constantly monitor the representation, roles and responsibilities of Public Service Boards (PSBs), Local Area Agreements (LAAs) and Multi Area Agreements (MAAs) governance. Consultants and contractors could come to dominate PSBs if commissioning and service provision is outsourced.

An evidence-based strategy

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.

- Verify sources to ensure you use relevant independent research.
- Don't inflate 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.
- Remember, evidence from failed or less successful projects can be just as useful as the more successful ones.
- Prepare a full Business Case with supporting evidence.

Regional/subregional collaboration on economic development and regeneration

The planned Multi Area Agreements (MAAs), designed to be cross boundary Local Area Agreements (LAAs), will be voluntary agreements between local authorities to undertake joint activities, set targets and pool or align funding. They are likely to be particularly useful for subregional housing, health, labour market, sports and leisure and transport projects.

The potential formation of City Regions should consolidate and democratise many of these initiatives and open up new opportunities for the merging of services and/or shared services and functions. The government's Sub-National Economic Development and Regeneration Review, part of the 2007 Comprehensive Spending Review, is examining optimal geographic levels for governance and decision making, mapping current arrangements and incentives, identifying key drivers of neighbourhood renewal and value for money and the effectiveness of interventions.

Quality jobs

1. Employment models

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. 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.

2. Quality employment

Key employment policies which must be addressed include:

- Staffing levels
- National terms and conditions
- Pensions
- Location (with no offshoring allowed in framework contracts)
- 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

3. Jobs in local/regional economy

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.

Comprehensive appraisal criteria and impact assessment

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

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

- 1 Design and scope
- 2 Accountability, governance and participation
- 3 Financial assessment
- 4 Quality of service
- 5 Local/regional economy and community well being
- 6 Quality of employment
- 7 Sustainable development
- 8 Social justice
- 9 Management and capability
- 10 Organisational arrangements
- 11 Added value
- 12 Corporate impact on the authority

Full details of the criteria under each of the twelve elements can be found in *Options Appraisal Criteria and Matrix*, ESSU Research Report No 2, and can be downloaded at www.european-services-strategy.org.uk