

RMBC – REPORT TO MEMBERS

1.	Meeting:	Cabinet
2.	Date:	1st December 2010
3.	Title:	Shared Services
4.	Directorate:	Chief Executive's & Financial Services Directorate

5. Summary

This report sets out a potential approach for the Council to take forward shared services. It provides detail of the key drivers and current policy context for Shared Services, identifies suggested principles and criteria to inform the Council's approach and suggest priorities for early development of shared services. **Appendix 1** also provides some background research and case studies in relation to shared service delivery across local government.

6. Recommendations

That Cabinet:

- **Consider and approve the principles and criteria for taking forward Shared Services**
- **That Cabinet request a further report in December 2010 from SLT, which will identify five or six priority projects which represent areas where we can deliver either quickly, or where there is most opportunity for delivering savings.**

7. Proposals and Details

Background and current policy drivers.

The concept of Shared Services has been around for a number of years and there are a number of good examples of shared services across the country. Shared Services has been described as a significant driver for both service improvement and efficiency savings in a range of reviews, for example, the Varney Review which described the benefits of greater sharing of front office services across government.

The current financial climate and the prospects of significant cuts in public sector spending over the next decade place a renewed emphasis on shared services as a means to drive down costs and protect front line services. The Government, and in particular the communities secretary, are actively promoting shared services advising that merging services with other councils is a key consideration as Councils fundamentally re-think their finances. Recent examples include:

- Plans to merge services such as education between Hammersmith and Fulham LBC and Westminster LBC, ultimately they are planning to merge the whole of their children and young peoples services by 2013. More recently it has been announced that Hammersmith & Fulham, Westminster City Council and Kensington & Chelsea are looking at options for sharing every major service as a means of protecting front line service delivery.
- West Oxfordshire and Cotswold District Councils have agreed to share a Chief Executive and other key posts. Their savings are expected to be around £330,000 a year. And plans for shared services are expected to save a further £390,000.

Proposals around place based budgets will also form part of the post spending review financial climate. They will aim to facilitate early intervention, involving a range of public bodies, allowing budgets to be pooled across the public sector and rewarding councils for delivering results. This offers opportunity for the Council to develop shared front line service delivery across Rotherham to deliver on our key corporate priorities around deprivation, crime, poor health and education outcomes.

The LG Group has recently published a White Paper “Local Budgets – Building the Big Society from the neighbourhood up”. The White Paper, lays out how the Government’s spending review can cut bureaucracy and waste by giving people real control over public services in their area. The document argues that local decision-making and accountability for frontline services from probation to health and social care through a system of local budgets can improve public services while cutting costs. Savings outlined include:

- Integrating health and social care budgets could save £6bn a year
- Joining up local services, reducing running costs and making better use of assets could save around £5bn a year
- De-regulating local government and cutting the Whitehall machinery responsible for regulation could save £4.5bn a year
- Cutting numbers claiming incapacity benefits by better joined-up local services could save £1bn a year
- Targeted local action to cut unemployment could save £1bn a year

- More co-ordinated help for young people out of work or education could save nearly £1bn a year
- Devolving quango responsibilities could save £600m a year
- Cutting out duplication in rehabilitation of offenders could save £500m a year
- Reforming bus subsidies could save £250m a year
- Improving help for young people by cutting the number of overlapping public bodies could save £200m a year.

The paper clearly sets out a drive to join up services locally, making more effective use of public sector assets and customer contact systems, releasing savings from asset sales, and reduced maintenance and energy costs.

It is also clear that this may require working across local authority boundaries for example local budgets and spend on transport, infrastructure, housing skills and employment would most effectively work at the level of large economic units, which the Local Enterprise Partnerships will seek to mirror. In developing our approach and proposals for shared services it will be important to consider the different geographies that we work across and how best we might seek to share services and reduce duplication and costs.

The paper also identifies opportunities for Councils to work in partnership with local Voluntary and Community organisations in making markets for service delivery by further developing, the scope of local enterprise, the voluntary sector and community groups and new models of service provision.

In developing its approach to shared services the Council should therefore, consider how emerging proposals around place based budgeting support the development of shared services and look to identify opportunities to engage locally in a place based budgeting approach, to support early intervention programmes and greater integration at the local level.

The Health White paper also offers opportunities for collaboration at the local level, with a clear role for local Government in promoting integration and driving joint working and joint commissioning. In its response to the White paper consultation the Local Government (LG) Group proposes a lead role for Local Authorities in commissioning for a wide range of services, which it suggests are otherwise at risk of becoming Cinderella services, including for example: mental health; long term conditions; drug and alcohol dependency; carers services; older people's services and free nursing care.

The LG Group also suggest that Councils could offer GP commissioning consortia support through provision of 'back office' functions such as, HR and payroll, IT support, quality assurance and risk management, data collection performance monitoring and in consulting and engaging with service users and local communities. In addition they strongly recommend that GP consortia consider opportunities to work with Local authorities to join up commissioning infrastructure and support. In light of the above it is clear that the Council needs to engage now in joint working and planning with NHS Rotherham and local GPS to establish transitional arrangements and in order that options and opportunities for collaboration are identified at the earliest opportunity.

In light of the above this paper looks to identify different models of shared service, to set out some principles which would underpin the Council’s approach to shared service and to identify priority areas where we should consider developing shared services, including opportunities for early delivery.

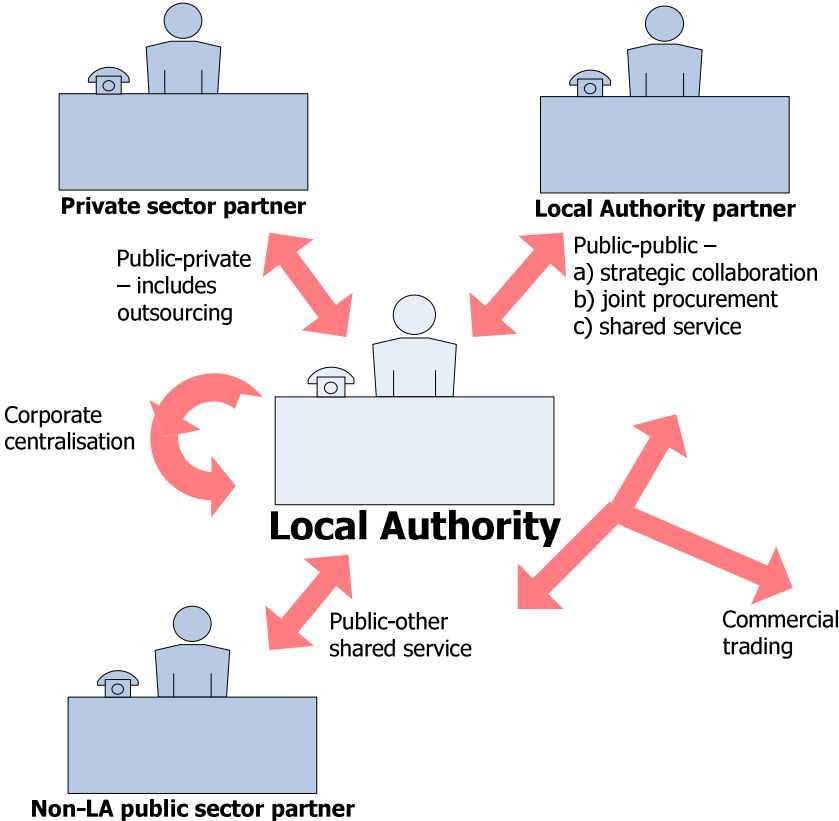
This paper sets out the framework within which shared services involving Rotherham Council could be developed for consideration and approval by Cabinet. It needs to be set alongside the Council’s strategy for the commissioning of services.

Defining Shared Services

A definition of Shared Services: -

“Shared Services involves bringing together a set of back-office or front-office services common to multiple business units within a single organisation, or across a number of organisations. These services tend to share relatively standard end-to-end processes and associated enabling technology. The relevant parts of these services are placed into a single delivery structure that is customer-focused and performance managed.”
CBI, Transformation Through Shared Services – Improving Quality, Increasing Efficiency

This paper takes a broad approach to defining shared services and refers to the following models which exist currently in local government:



Model	Explanation
Public-public strategic collaboration	- A shared approach to a common concern, e.g. developing a joint crime reduction strategy
Public-public joint procurement	- Shared processes on purchasing goods or services, e.g. jointly going out to tender for a stationery supplies contract
Public-private (including outsourcing)	Working with the private sector to deliver a service, e.g. strategic partnership to deliver corporate services
Public-public shared service	- Formally setting up a joint resource with another local authority, for example shared Revenues and Benefits processing
Public-other shared service	- Formally setting up a joint resource that includes non-local authority partners, e.g. shared customer access shops with police and health
Commercial trading	Selling services to another authority, e.g. payroll processing
Corporate centralisation	Centralisation and standardisation within a single local authority e.g. centralisation of ICT services rather than having them managed individually in each service area

There is little up to date research on the success achieved to date from shared service activity however some information is attached at Appendix 1, which is intended to inform decisions around the way forward. It aims to support the Council in establishing the principles which underpin our approach and in identifying priorities for activity and early delivery of savings.

Principles and criteria for identifying Shared Services

The Council needs to be clear about how it will identify where it will focus on developing shared services. The development of shared service arrangements can be time consuming and there are a number of issues to be addressed in implementing a successful arrangement. The Council should look to develop shared services which address the following core principles: Shared service arrangements should:

- Support improved delivery and efficiencies in priority areas - partnering for the delivery of the right services
- Maximise opportunities to retain jobs within Rotherham for example, working with other public sector organisations within Rotherham or by providing services locally for organisations beyond Rotherham - identifying the right partner organisations
- Maximise opportunities to deliver benefits quickly - developing shared services at the right time.

In addition the Council should agree a set of criteria for consideration in identifying priorities as follows:

Right services

- Services where the Council has a strong track record of effective service delivery

- Common objectives for service delivery with potential partners
- Common systems platforms exist, where relevant, to avoid time consuming and potentially costly issues around systems integration.
- Early intervention and prevention – linked to proposals around place based budgets to maximise potential opportunities for integration and potential reward.
- Services which support delivery of corporate priorities

Right partners

- Opportunities within Rotherham – to retain jobs in the local economy
- Shared services at the appropriate geographical level for example sub regional or matching potential LEP boundaries in relation to transport and issues relating to the economy
- Organisations beyond Rotherham where there are clear benefits for both the Council and Rotherham Citizens and where a strong affinity and relationship exists.
- Offers opportunities to develop services in partnership with Voluntary and community sector
- Balance between the potential benefits and the costs and speed of delivery/ implementation of shared services across the different delivery models e.g. public/ public vs public/ private. For example the implications of having to enter into a full OJEU procurement versus negotiation and implementation of an agreement between public sector bodies.

Right time

- Quick wins - Opportunity to share services and achieve savings and benefits within 12 months
- Clear business case required which identifies opportunities to deliver savings and improved services, informed by robust cost benefit analysis
- Legal and procurement implications are clear and well understood and impact on benefits realisation is clear

Next steps

Cabinet are asked to approve the broad approach to developing shared services and criteria and principles set out above. Subject to this approval it is suggested that SLT should develop more detailed proposals identifying five or six priority areas for further development. These proposals to be prioritised and to ensure that the focus is on those areas:

- Where a shared service can be implemented quickly, and /or
- Where there is most opportunity for delivery of savings.

In light of the above Cabinet should note that currently there is already interest from sub-regional partners in developing shared services in Corporate and Transactional Services such as Human Resources (HR), payroll and finance. These may well therefore offer opportunity for delivery quickly. However, it should also be noted that where proposals for developing a shared service involve delivery through the RBT joint venture company this will have specific implications for procurement processes.

Legal advice is being sought at present as to what these implications are and how they can best be managed. In general terms if a shared service is developed as a public/ public model there is no requirement for an OJEU procurement, however, if the delivery vehicle involves a private sector partner then OJEU will apply.

The biggest gains however may come from integration and shared services in delivery of health and social care services, either through joint working with health or through partnership with the voluntary and community sector. These are areas where there is some joint working currently but also significant opportunity to explore the benefits more fully and to do more. These are also areas with high costs currently which again means there is much to be gained by exploring how we can work more effectively, clearly this would also support the Council in delivering its new role in promoting integration, joint working and commissioning as set out in the Health White paper.

8. Finance

The current financial climate is a key driver for developing opportunities to deliver shared services. However, it should be noted that there are cost implications associated with different approaches and a full cost benefit analysis should be an integral part of any business case.

Priority should be given to those projects which deliver maximum savings and improvement benefits which can be delivered relatively quickly in order to help the Council to address the challenges posed by cuts in Government spending and to support front line services.

9. Risks and Uncertainties

Financial – that we are unable to fund the transformation to shared services, or that benefits are not realised and savings not delivered as forecast. Project may fail, e.g. practical issues cannot be resolved within the project budget. Practical issues such as back office support for the new service, pay and grading, pensions, insurance, governance and so on will need to be addressed and resolved in planning and delivering projects. Ensuring there is a robust business case and cost benefit analysis should help mitigate against these risks.

There is a risk that political support could not be sustained for the duration of this arrangement. This should be mitigated through ensuring that arrangements are acceptable to members in Rotherham, and where applicable in other Councils, and that political support and buy in is sought at the earliest opportunity. Similarly there will be a need to build and secure support from key stakeholders engaged in or affected by the proposals.

Reputational risks are possible, for example, there may be negative media against this proposal. Clear communications plans will be required to ensure that the rationale and benefits for individual projects are well understood and communicated.

Legal and procurement implications will need to be considered in relation to individual proposals.

10. Policy and Performance Agenda Implications

Reducing the deficit is a key policy driver for central Government and as such shared services are being promoted as a vehicle to support Councils in fundamentally re-thinking budgets.

The focus on localism and place based budgets also supports shared service delivery and integration at the local level. The focus on early intervention to address key priorities at the local level will be driven by place based budgeting involving a range of local bodies and will be designed to tackle outcomes, which are identified as priorities in the corporate plan, such as deprivation, crime and poor health and education outcomes. In developing its approach to shared services the Council therefore needs to consider how it can ensure priorities for shared services support these key policy agendas.

Significant consultations are currently ongoing proposing radical changes to the NHS and a clear drive in the Health White paper is for greater integration across health and social care, this policy agenda supports development of shared services as a means of delivering improved outcomes for local people.

11. Background Papers and Consultation

Local Budgets – Building the Big Society from the neighbourhood up – Local Government Group white paper Oct 2010

Equity and Excellence: Liberating the NHS LG group response 5 Oct 2010

FOSS – delivering public service transformation report 2009 - LGDC

Shared service paper – RSE consulting

CLG's Shared Services Case Studies -

Contact Name:

Julie Slatter, Head of Policy and Performance, ext 22737 email:
julie.slatter@rotherham.gov.uk

Andrew Bedford, Strategic Director of Finance, ext 22002 email:
andrew.bedford@rotherham.gov.uk

Appendix 1

Research and case studies

There is little up to date research about the success of shared service initiatives across local government to date. A paper produced by RSE Consulting (now part of Tribal Group) in 2007 found, from a review of 2005/06 efficiency statements, that:

- **Joint procurement** is the most popular type of Shared Services project for local authorities to implement, accounting for approximately one-third of local government Shared Services projects.
- **Partnering with the private sector** was the second most popular model of working, accounting for 18% of projects.
- Only 12% of projects involved **establishing a joint resource with another local authority**.
- **Commercial trading** projects were surprisingly common: 18 of the 175 authorities reviewed were trading their services to other authorities.

The table below shows average savings by type of project

Partnership model	Average saving per project (based on those authorities that included a figure)	Estimated proportion of savings from partnerships
Public-private (including outsourcing)	£382k	41%
Public-public - strategic collaboration	£265k	17%
Commercial trading	£247k	15%
Public-public - joint procurement	£54k	11%
Corporate centralisation	£120k	8%
Public-other - shared service	£104k	4%
Public-public - shared service	£51k	4%

Public-private partnerships are delivering higher savings than any other type of project. In contrast, **local authority ('public-public') Shared Services currently appear to be delivering the lowest level of savings per project.**

This analysis is supported by findings from the CLG's Shared Services Case Studies¹ which found that:

- Small Shared Services partnerships (of three or fewer authorities) have been able to realise (modest) benefits relatively quickly, whereas larger partnerships will not be able to do so until 5-10 years after inception. The larger the partnership, the greater the impact that the need for consensus and compromise across all partners will have upon the project timescales

¹ 13 case studies on the benefits achieved from local government Shared Services and Business Process Improvement Projects, RSe Consulting, November 2006.

- This has been much less of an issue for partnerships with the private sector, where the relationship between partners is much more that of customer and supplier. These projects have delivered greater gains than public sector partnerships, and more quickly, but a high proportion of gains tend to accrue to the private sector partner than to the local authority
- Local authorities are currently focusing upon delivering non-cashable gains such as service improvement and straightforward cashable gains through procurement rather than the more difficult cashable gains of headcount reduction. The round-table events² suggested that the priority for many authorities was to improve service capacity, rather than to secure savings.
- Local authorities have struggled to select the most appropriate Shared Services projects, and deliver them effectively. Authorities that participated in the round-table events said that their implementation of efficiency initiatives had been opportunistic rather than planned, for example, as a result of having heard about an approach that worked well elsewhere.

Research commissioned by the DCLG suggested that the following opportunities exist for local authority Shared Services:

Consider Shared Services with another public sector partner if the service area...	Consider Shared Services with a private sector partner if the service area...	Shared Services probably won't be suitable for a service area if...
<ul style="list-style-type: none"> • has scope for improving customer service through Shared Services – for example, customer facing services in two-tier regions • is one where the method of service delivery is fairly standard across different authorities • already has a good working relationship with authority at the same stage of development • is happy to take a relatively slow pace of change in order to keep all partners on-board • is struggling to recruit and retain specialised staff 	<ul style="list-style-type: none"> • needs a fast and flexible capital investment • wants to make a dramatic change to service delivery very quickly • is prepared to put a dedicated team in place to manage the performance of the service • has identified a clear need for skills and/or capacity that do not exist within the authority • employs a relatively large number of officers 	<ul style="list-style-type: none"> • the service requires a significant degree of professional judgement • the consequences of failure in a single case are severe • links/boundaries with other service areas and agencies are unclear and/or relatively unpredictable • managers do not understand how the service area could be improved • there is very strong political resistance to sharing services

² OPM was commissioned by the Centres of Excellence (now RIEP) and the DCLG to undertake a number of interviews with chief executives and a series of regional round-table events exploring the future of Shared Services and Corporate & Transactional services in local government.

Front Office Shared Services (FOSS) - Local Government Delivery Council Report 2009

The FOSS report looked at 10 projects, see list below, and a detailed case study is available for each. The research considered key questions such as:

- “Are our service delivery models truly fit for purpose, or are we still operating largely in traditional, silo-based ways?”
- “Are we working in the most cost-efficient manner, not just in terms of our own organisation, but as part of the wider public service infrastructure?”

Projects

- London Borough of Hackney – working through LSP to improve access to front line customer services across the public sector
- Kent Gateway –
- Tell us once – national project which RMBC has been involved in
- Consumer Direct Wales- partnership between office of fair trading, the 22 Local authorities in Wales and the Citizens advice Bureau
- London Borough of Greenwich, which is working with a range of partners to develop three new customer service centres that contain an innovative mix of leisure, cultural, front and back office facilities.
- North East Derbyshire DC, which has developed an integrated customer service function that provides front office services for itself, Chesterfield BC and Rykneld Homes Ltd.
- Essex County Council, which has worked with Post Office Ltd and several district and parish councils to bring the strategic management of the local post office network into the family of local government services.
- London Borough of Lambeth, whose Gracefield Gardens centre offers an improved social care facility for local citizens in partnership with the PCT and a range of voluntary and community groups.
- Cumbria County Council, which is working with the county’s six district councils, the Lake District National Park, the PCT and the Police to join up local services by opening 12 face-to-face one-stop shops – ‘Local Links’.

Full case studies for all these projects, are available on the IDeA Knowledge website at: www.idea.gov.uk/foss.

Key Messages

- Local partnership structures should be exploited and from the case studies projects were often strongest when set within existing governance arrangements and linked to local priorities.
- Insight is critical – insight into local needs, aspirations and experience has helped to shape direction and objectives of projects and has driven greater engagement from staff and partners.
- Business cases are important, propositions should focus not only on financial savings but also on the customer experience.
- Co-location is a good starting point and an effective way of beginning to share skills and rationalise assets.

- Local flexibility must be retained along with the flexibility to tailor delivery to meet differing local needs.
- There is a need to be bold, projects need to consider how to work differently and take calculated risks to transform service delivery and deliver real benefits.
- Highlighting and sharing learning is crucial.

The following tools are available to support authorities developing their own approaches to Shared Services:

- The 4ps website for guidance on a variety of Shared Services issues, including procurement and financial & legal issues <http://www.4ps.gov.uk>
- Birmingham City Council's project on the characteristics of an authority that is ready for partnership
- Procurement Resources from the Office of Government Commerce http://www.ogc.gov.uk/Resource_Toolkit_procurement_resources.asp
- The CIPFA Corporate Services Benchmarking Clubs <http://www.ipfbenchmarking.net>
- Outputs of the Strategic Partnering Taskforce:
 - Strategic Service-Delivery Partnerships – A decision-maker's guide
 - *Rethinking Service Delivery Vol 1: An Introduction to Strategic Service Delivery Partnerships*
 - *Rethinking Service Delivery Vol 2: From Vision to Outline Business Case*
 - *Rethinking Service Delivery Vol 3: Shared Service and Public/Public Partnerships*
 - *Rethinking Service Delivery Vol 4: Outline Business Case to Contract Signing*
 - *Rethinking Service Delivery Vol 5: Making the partnership a success*
 - *Technical Notes: Structures for Service Delivery Partnerships*
 - *Technical Notes: Structures for Collaboration and Shared Services*
 - *Technical Notes: Payment Mechanisms*
 - *Technical Notes: Risk Management*
 - *Technical Notes: Employment and Partnerships*
 - *Technical Notes: The Partnership Assessment Tool*