



# London Centre of Excellence – Shared Services

Final Report

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working with you

to improve social results

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## Executive Summary

- There are strong drivers towards shared services between local authorities. Government policy drivers include CPA and Gershon, but government policy can also drive in different directions; other policies create pressure to improve services very quickly, and to drive up standards rather than reduce costs. Stronger partnership working and Local Area Agreements create pressure to share services between agencies within a local authority area, whereas government pressure towards shared services has been aimed at sharing within sectors (i.e. between local authorities or between health authorities) rather than between sectors.

The strongest pressures now however, come from the tight financial situation faced by London boroughs, the need to achieve savings to deal with financial pressures, and problems in recruiting to staff to deliver routine services, particularly in central London. London boroughs are spending £500 million each year on temporary staff. Priority is now being given to efficiency and shared services by both managers and politicians. This suggests that further 'government pressure' is not needed, although government support in removing obstacles and barriers could be helpful.

- Across London, there are a number of examples of shared services already in place, and sub-regional partnerships are actively investigating further developments. There is also some exploration of pan-London and pan-south east services going on, but drivers here appear weaker in relation to the barriers of complexity.
- This study has identified a number of barriers to the successful development of shared services. The barriers cited most often are: lengthy and costly negotiations; high procurements costs; high capital cost of set-up; problems caused by the incompatibility of legacy systems; and lack of commissioning knowledge and experience. Problems are also experienced because of political concerns about risk and uncertainty, absence of trust within partnerships and cultural barriers.
- The cost and complexity of procurement was highlighted as a major barrier to the development of shared services. The procurement process is largely dictated by EU rules but could be overcome to some extent by sharing of procurement and contract management skills and capacity and good practice as well as better information and access to comparative data on services providers' costs and performance.
- Government might also be able to encourage shared services by greater flexibility in other rules and regulations, such as those governing the disposal of assets,
- Some London boroughs, such as Westminster, are already pursuing radical approaches to services, which involve 'stripping out' routine transactions from a wide range of professional activities using call or contact centres. Additional savings can be made by locating these contact centres outside the south-east. This requires radical change across the authority, and it was suggested that it might offer a possible route towards shared services.
- It was clear from the responses of other interviewees, however, that there is some uncertainty about the extent of savings to be made through shared services.

Some costs and benefits are based currently on projected savings which have not yet been realised. Counter arguments suggest that not all services offer economies of scale, – Other reservations included: management problems caused by lengthening the management chain; the risk of distancing service users from providers and of undermining the scope of local managers and staff to solve complex problems. Benefits could be gained by re-engineering services within a borough or by outsourcing to private suppliers, just as easily as through sharing services between boroughs.

- In some services however, such as professional services, transactional services with low customer interface and services with excess capacity or peaks and troughs in demand, it was widely felt that sharing can offer both savings and improved quality. In other areas tackling the difficulties of staffing services, caused by high recruitment costs, turnover and agency staff costs may be a more important driver than the search for costs savings alone.
- Developing shared services in areas with high political visibility and high degree of interaction with service users, was seen as 'higher risk', requiring strong partnerships, trust and shared vision.
- Nevertheless, there are breakthroughs to new service provision that could be made in 'high risk' areas such as social care, education, environmental services and housing. As cost pressures become greater, the possible gains from radical thinking about new services may outweigh the difficulties.
- Pooling expertise, innovation and creativity between boroughs may be important in creating new ways of developing and managing markets. The example of the partnership between London boroughs to purchase parking services shows how a critical mass of purchasing power can influence the market to improve its offering.
- In addition to sharing 'delivery' of services, it should be possible to develop further the sharing of commissioning, and the sharing of data and expertise between boroughs, to reduce costs and improve quality of procurement.
- This suggests that it is important for London boroughs to be clear about why they are pursuing the option of shared services because different sorts of services carry different costs and potential benefits. More exchange of thinking and evidence would be helpful.
- Central government needs to recognise that the drivers towards shared services are accompanied by some very significant barriers. Decisions about whether or not to pursue shared services are therefore finely balanced. For some, pursuing savings through outsourcing or through radical service redesign might be an alternative, or all three approaches might be adopted in combination.
- Whatever the combination chosen, a change in mind-set was required to enable managers and staff throughout London to explore radical options. Partnership working and the sharing of expertise and experience across the capital could help develop new thinking. Strong leadership, good management of change and good project management would also help. Transparency of process and costs between partners was important in building trust.

- In order to encourage London boroughs to explore to the full potential opportunities, politicians need to be exposed to new thinking, senior managers should have opportunities to share ideas and experiences, and chief executives should work collectively to create a context in which realistic options for shared services can be taken forward.

# 1. Introduction

## Background

This study was commissioned by the London Centre of Excellence to improve understanding of the ways in which shared services are being developed by local authorities, explore the benefits and risks and analyse the drivers for and barriers to the development of shared services. The study covered literature and experience from authorities nationally, although the interviews focused on London Boroughs and private sector suppliers working with them.

## Study Objectives and Requirements

The study was undertaken to help the London Centre of Excellence:

- Gain a picture of the likely business areas where a shared services model would deliver both cash savings and improved service levels to participating boroughs
- Understand the specific models that could be used in London and their relative advantages/disadvantages
- Draw up a comprehensive list of benefits and costs, together with an outline business case for promoting the shared service agenda
- Evaluate the likely timetable for introducing the shared services models and the accompanying return on investment
- Produce a risk register for introducing the shared service models
- Make recommendations to pan London agencies and networks on the desirability, or otherwise, of pursuing the shared service agenda in London

## Methodology

The study included a scoping review, which explored the key policy drivers, key literature and current examples, interviews with senior managers from London boroughs and private sector providers. A seminar was held on 24<sup>th</sup> April 2006 to explore the themes and issues which emerged from the literature and interviews in more depth with a group of invited senior managers from London boroughs. Details of interviewees and seminar attendees are included in Appendix C. This report was also informed by discussion at a recent seminar on efficiency savings, arranged by OPM on behalf of DCLG and by conversations with a number of the delegates. The attendance list for this seminar is also included in Appendix C.

This report sets out the drivers and barriers identified by our interviewees, explores the issues raised, and offers an analytical framework which we hope will enable boroughs to identify more clearly the issues they have to consider when deciding whether to enter into shared services arrangements.

## 2. Context

The NAO (2005) believes there is significant scope to achieve efficiency savings through shared services, but is concerned by the reluctance of many public services to enter into such arrangements. In the context of efficiencies, shared services describe examples of when front office or back office services are shared jointly either across local authority departments, or between different statutory agencies.

While more local authorities report a willingness to develop shared services (SERCO 2005) many are still reported as cautious about developing shared services in relation to functions such as human resources, payroll services and procurement functions. In addition, there are many barriers faced in developing high quality shared services. These are seen in particular to be the high costs of negotiating collaborative arrangements and difficulties in aligning the different objectives and working practices of the departments or organisations involved.

A report exploring back office change cites a number of barriers and supporting factors relating to using shared services to achieve efficiency gains in this area. (Charret, 2005) The report found that, *'Back office change is perceived as a necessary but poorly supported drive for change – often viewed as too difficult to achieve where political hooks are few and middle management buy-in weak.'* (Charret, 2005, p. 13). It goes on to identify the following specific barriers:

- No funding incentives or sanctions for failing to address this particular area
- Cultural resistance to resulting organisational change
- Employee association resistance to standardised terms required for partnership work
- Absence of benchmark data – efficiency gains hard to measure/prove

However, a certain amount of rethinking may be being undertaken around shared services. At a recent ODPM seminar to explore efficiency savings, doubts were expressed about the value of shared services in comparison with other, more straightforward approaches, such as out-sourcing and radical system redesign within a single organization. Gershon now suggests that he had originally overstated the benefits of shared services, compared with savings through process redesign within an authority. Others felt that while savings were possible through shared services, they were very difficult to achieve. One chief executive argued, for example, that shared services involved unnecessary complexity. He thought that if private sector suppliers develop effective service delivery approaches, each authority could out-source their service independently without the need for complex partnership arrangements.

At the very least, the development of shared services requires careful attention to the strategic purpose of a service, its role in relation to the rest of the authorities' work, work to win support and careful management of change. . A report by AT Kearney (2005), for example, suggests six conditions are necessary to achieve best performance through shared services:

- Define the scope and set realistic targets – leaders should clarify which functions are strategic, which require decision support and which are transactional;

- Select the appropriate operating model – e.g. internal shared services/outsource in part or completely;
- Create and follow an effective governance regime – the single most important success factor – how the ‘parent’ organisation and shared services units related to each other;
- Ensure transformation is inclusive and be certain to manage the change – more readily accepted by those responsible for ongoing service delivery;
- Manage technology and associated costs – often underestimated/poorly managed;
- Keep performance management simple and customer focused – e.g. through service level agreements.

Some partnerships have made real progress with shared services. The Association of Greater Manchester Authorities (AGMA), for example, is seen to have led the way for the region in developing shared services and joint functions across a number of local authorities. The following services are now provided through a shared arrangement; out of authority placements; computer audits; education brokerage; recruitment advertising and legal services (Regional Centres of Excellence, 2006). The RCoE suggests local authorities may consider a number of factors when deciding whether a service can be shared such as:

- The potential for improvement through pooling of services
- If services are uneconomic for individual authorities
- If services require external support
- If they have common activities

In London, a number of partnerships between local authorities offer shared services, including: the provision of parking services across inner London; the provision of public relations services for the London borough of Richmond by Westminster City Council; a shared choice-based lettings scheme across five boroughs in West London; a shared riverside waste collection service; and the provision of some. Pan-London services by the ALG. Sub-regional partnerships are actively exploring greater service integration.

There are many examples of shared services across the country, and Appendix A sets out some of these. However, there is less clear evidence available about the extent of efficiency gains through shared services.

### 3. Drivers and Barriers

#### External drivers

- **Government policy**

Government policy has had conflicting impacts on the move to develop shared services. On the one hand the government has created an environment in which efficiency is high on local authorities’ agendas. The Gershon review was identified as a major driver, in the context of an efficiency agenda which had been building momentum over several years through Best Value, the E-government and Transformational agendas and the Comprehensive Spending Review. All of the recent policy drivers have created targets for efficiency savings, although it is apparent that shared services have been used, so far,

only by a minority of authorities nationally as a way of achieving those targets. The effect of Government policy can be ambivalent, however. The Universities of Cardiff and West of England (ODPM 2005, a) concluded that:

*‘although the Government has introduced policies designed to improve efficiency (including LPSAs, the duty of Best Value, e-governance), local government has shown less appetite for some of the intended drivers of efficiency improvements (including the wider use of market testing and the development of a more mixed economy of provision) and to date LGMA policies appear not to have done much to encourage councils to take them on board.’*

The report suggests that this is primarily because, until recently, especially through CPA the emphasis has been upon driving up standards, rather than achieving efficiency savings.

Government has made it clear that it favours shared services within sectors, i.e. Local authorities sharing with others, and health services sharing with other health services.

- **Local Area Agreements**

Local Area Agreements create an additional driver for shared support services. Pooled budgets and new performance management systems require new infrastructures to support them. Where organisations jointly are responsible for delivering services or achieving targets, joint procurement or commissioning may lead to the development of shared services. LAAs create a need for shared data sets, and shared performance management systems, and scope for integrating and reengineering services radically to better achieve local outcomes. However the pressure here is to integrate services or to create new shared services between sectors – for example integrating policing and local government services at neighbourhood level, or integrating health and social care services. Accompanying this new thinking is the possibility for shared ‘back office’ and office accommodation between health, police, education and local government services.

- **Changing local authority roles**

The Lyons enquiry, the expected White Paper, now delayed until the autumn and local government’s own thinking stresses a new role for local authorities in terms of ‘Leadership of Place.’ Building on local strategic partnerships, local authorities are encouraged to develop their leadership role within a locality through partnerships of key agencies, and to encourage cross-boundary working and innovation to achieve local outcomes. Already this has involved closer integration of health and social care, and integration around community safety. In some cases this is leading to radical service redesign, and co-location of staff, including the development of shared ‘service hubs’ involving police, health, local government etc or the development of shared children’s centres, or customer outlets for several different services. Again, however, this pressure is towards shared services between different agencies in the same locality, rather than towards shared services between local authorities.

- **Financial Pressures**

However, local authorities at the workshop suggested that government pressure, while important in opening doors and minds, was less significant than the growing financial problems facing local authorities. Savings were being made in most local authorities that far outstripped the Gershon targets. The need to make savings from ‘back office’ in order to protect highly visible services was now a very strong driver for both senior managers and politicians, indicating that further government ‘pressure’ might be superfluous.

- **High service costs**

London boroughs, particularly inner London ones, face significant cost pressures. Costs of office accommodation are high. Staffing costs are also high and this is compounded by problems in recruiting and retaining high quality staff for routine and high volume transactional services. This has resulted in high dependency on agency staff, which is costing London boroughs £500 million a year. In this context, London boroughs are beginning to put more emphasis in their own strategic thinking on exploring the potential for savings offered by shared services

Some interviewees stressed also the difficulties that are being experienced in recruiting to key services areas, and the need to reduce costs, increase efficiency and improve resilience. As one interviewee put it

***'It has become very expensive to run routine transactional services in central London.'***

- **Sub-regional partnerships**

Sub-regional partnerships are being encouraged across London, especially by the GLA and the Mayor. A number of these partnerships are exploring shared services on a sub-regional level. However, there are some suggestions that these sub-regional partnerships are relatively weak; the strongest is seen as the West London Alliance. There is an argument that shared services might be explored more broadly than on a sub-regional basis, since some service markets are city-wide or stretch across the South East of England. For example adult social care placements outside London impact on service availability in surrounding areas. The Regional Centres of Excellence are currently considering what should be explored nationally and what should be explored regionally, or sub-regionally.

## **Internal drivers**

- **Political commitment**

Political commitment is a key internal driver. Where political control rests with members for whom efficiency and cost reduction is important, this will have a significant impact on attitudes and expectations within the council. All politicians have to achieve additional value from the system to fund new political objectives. This helps to create a climate in which new methods of achieving efficiencies will be sought.

- **Leadership**

Leadership plays a crucial role in enabling the development of shared services by investing in skills, making it possible for managers to take risks, maintaining commitment during difficult negotiations and rewarding success. Where the exploration of shared services is championed at a sufficiently senior level, it is more likely that barriers will be overcome. As one interviewee put it *'it's about being willing to accept 95% of what you want, instead of trying to get everything.'* Leadership is required to make those judgements and compromises.

- **Organisational culture**

Most interviewees identified organisational culture as potentially both a driver and a barrier to the development of shared services. Positive, corporate and ambitious cultures create the right environment for innovation and this can also help to support efforts to reduce costs or improve quality through shared services.

## 4. Barriers

### External barriers

- **Procurement**

The high cost and complexity of procurement was cited by most interviewees as a very significant barrier to the development of shared services. The usual costs and complexity of procurement are compounded when contracts are negotiated to provide services for more than one authority. Lengthy procurement processes require significant inputs of officer time and legal advice. Several interviewees gave examples of long periods of time, generally two to four years, spent on procuring shared services. In the case of large partnerships working to procure shared IT infrastructure, this was reported to lead to loss of commitment to the partnership and increased incidence of partners losing patience and procuring their own IT infrastructure independently. This resulted in the waste of the time and resources previously invested in the development of the shared service, damage to partnership relationships and increased reluctance on the part of other local authorities to embark on shared service negotiations.

Procurement processes were described as too complex and expensive. One London borough quoted a cost of £2 million to negotiate a contract worth £120 million.

However, others commented that procurement processes were often cited as a barrier but the real barrier in relation to procurement of shared services is the reluctance of local authorities to commit the time and resources to drive the procurement process in a timely and efficient way.

While much of the complexity is due to EU procurement directives, there is still scope to build expertise and capacity to make procurement more manageable at local level. Central government might also consider making rules and regulations more flexible, for example on disposal and sharing of assets between public agencies and public bodies.

- **Competing or conflicting targets and policy drivers**

Interviewees and seminar participants cited conflicting or competing policy drivers as creating barriers to shared services. For example, local authorities nationally are under pressure to devolve services to neighbourhoods and to involve local people in designing and commissioning services, at the same time as they are under pressure to achieve efficiency gains through the procurement of standardised shared services, delivered over a wide geographical area. Similarly, City Academies are being created as independent organisations in new purpose built educational buildings, at the same time as the extended school programme is linking schools to services in the wider community and opening up school buildings to multiple-use.

- **Local government re-organisation**

While London is not facing reorganisation, in England as a whole, the delayed White Paper has created high levels of anxiety and uncertainty, especially amongst districts. In some cases, this has led to a reluctance for districts to become involved in partnerships with their counties for fear that such involvement would demonstrate the benefits of larger, or unitary authorities, thereby further undermining their future prospects. In others, however, it has strengthened moves towards joint working in order to demonstrate the effectiveness of current governance arrangements, and in a few cases, agreement about the move towards unitary status is speeding up cross-boundary working. Although this has not had a direct effect on London boroughs, it is clearly a factor affecting the climate of opinion within local government.

## Internal

- **Political/strategic**

Some interviewees cited the reluctance of members to enter into shared services partnerships. This is caused by a number of factors such as reluctance to take risks, and lack of trust between boroughs. Political and local accountability problems are also seen to be a barrier in some localities. Political resistance may also be based on ideology, however, most councils have now become used to out-sourcing many services. More often, however, politicians want to retain close control over budgets and spending because they are concerned about value for money, and reluctant to commit to long term contracts which reduce their ability to change spending decisions rapidly.

Fear of loss of control over services and service delivery is a major factor for many members. Many have a history of involvement at ward level in service delivery, and want to feel able to intervene directly in order to obtain improved outcomes for their constituents. They may be concerned that services will become more distant from users. The Audit Commission highlighted in particular the public fear that any moves to give up some control of services would threaten local accountability

The need for coherence of policy across a range of service areas can also be perceived as a barrier. An anti-poverty strategy, for example, may have implications for the way that benefits are administered. Improvements in community safety may have implications for street lighting and environmental services. From a political standpoint, it can seem difficult to reduce the elements of local authority activity into distinct 'products' that can be separated from a wider locality or neighbourhood context. The standardisation of transactions necessary to achieve savings can be at the expense of local flexibility. Where politicians are closely concerned with regeneration and the local economy, they may also be concerned to employ local people, or support local businesses and fear the impact of shared services on job losses, relocation of jobs out of the borough to other parts of the country, or even of the world.

The development of shared services can give rise to a problem of divided decision-making within local agencies, with many local authorities seeing the creation of shared services as leading to turf battles (Accenture, 2005). Worries have been expressed that it might be harder to act decisively when services went wrong if responsibility was shared.

- **Lack of skills and capacity**

Lack of skills and capacity to complete major procurement processes was identified by several interviewees. A Work Foundation report suggests local authorities will need to 'plug skills gaps in procurement, people management and change management' for the efficiency agenda to be realized (Work Foundation, 2004, p.16). This issue is echoed in several other reports which point to the need for authorities to recruit and develop high quality managers to lead this agenda (AT Kearney, 2005; Accenture, 2005; ODPM, 2005c). A number of key problems highlighted in the literature were echoed in the views of interviewees and seminar participants, for example the fear amongst some managers that they have potentially most to lose (including their jobs) in any potential joint working arrangement brought about through efficiency drives, and the lack of technical and financial skills. Accenture (2005), for example, argued that a lack of awareness and the necessary managerial skills to tackle a transformational change program was the main issue. Problems of capacity were the most frequently cited obstacle across all authority types, and authorities (with or without a corporate procurement unit).

- **Lack of information**

Lack of information was also cited as a barrier to the development of shared services because managers lack reliable benchmarks against which to judge the value and potential savings of different service options. Each provider offers a range of unit costs, delivery times and quality standards which are then negotiated with individual boroughs. Providers may contract to provide the same, for example, transactional service for two different boroughs at different prices. Some outsourcing arrangements, for example the relationship between Westminster City Council and Vertex and the London Borough of Southwark and [insert details] have been characterised by high performance, high levels of satisfaction and high levels of mutual trust. In such cases the boroughs concerned are more than willing to share their good experiences. In cases where procurement has not gone so well, where providers have underperformed or where relationships of trust have not developed, boroughs are likely to be much less willing to share their experiences with others. As a result other boroughs, or consortia of boroughs, may more than others for the same service or receive a poorer quality of service than they might have been able to procure, had they had all the relevant information against which to measure each provider's potential offerings.

- **Departmental concerns**

Several research reports confirm the views expressed by the interviewees that organisational culture and silos can be real barriers to greater efficiency. SERCO, for example, found that when it interviewed finance directors about the Gershon Review, 29% of respondents mentioned cynicism about the recommendations and 23% said there was a lack of internal ownership, as the main barriers present at the moment (SERCO, 2005). The report also found that 25% of respondents said there was a lack of cooperation between councils and departments within councils.

However, service managers struggling to turn round failing services in response to critical CPA judgements or inspection reports, may be pre-occupied with getting the basics right and feel pressure to respond urgently. The long timescales involved in negotiating shared services may not seem realistic in these circumstances. This may make it harder for them to commit organisational time and energy to joint procurement of shared services.

Several examples were cited by interviewees of the reluctance of senior managers, including chief officers, to let go of direct control of services, whether to centralise internally, to outsource as an individual borough or to enter into shared service agreements. This may be the result of a very risk averse culture, it may also reflect lack of trust between senior managers within a borough or it may reflect a genuine focus on local performance and meeting local customer needs, which managers are reluctant to compromise by working in partnership with others. Some interviewees suggested that boroughs may need to become less 'precious' about sustaining every detail of local operational policy in shared arrangements, and to be willing to accept 'good enough' shared systems rather than procuring local and individualised systems that are incompatible with those of potential partners.

- **Organisational culture**

Organisational culture is clearly critical, and the exploration of shared services will be more likely where there is an open, evidence based and experimental culture. In councils which are risk averse or where there is a blame culture, managers may be reluctant to embark on shared services partnerships in the light of the risks. Interviewees suggested that it was not uncommon for a local authority to combine a risk averse culture, lack of benchmarking information and lack of skills and capacity!

The Audit Commission (Audit Commission, 2005 b) highlighted behavioural and cultural issues as barriers to improvement on this agenda. Its report on efficiencies in revenue and benefits raised concerns about the following barriers:

- The fear of failure is high and prevents councils adopting a different approach to delivering the services. For example, there is still a strong awareness of some of the bad experiences of services that have been contracted out in the past.
- There is a strong view that there is a high risk that the reputation of councils will be damaged if things go wrong, particularly for councils that have good existing levels of performance. Poor performance has a much higher profile than the cost of delivery, particularly in benefits, and is a significant issue for members too.

Local authorities that had introduced radical change to services suggested that what got in the way was '*a mindset.. a built in aversion to changing things.. the biggest barrier was thinking 'we've always done it this way.'*

- **Infrastructure and systems**

Because of the range of IT hardware and software, many neighbouring authorities which could benefit from using shared services may be prevented from doing so, or the costs can be raised significantly, by the incompatibility of their legacy systems. Where authorities have procured services from external, private sector providers, they may now be tied into contracts which cannot be expanded to include new partners or terminated to allow new shared services arrangements to be entered into

- **Partnership**

Partnership relationships and governance arrangement vary significantly. Relationships may be strained because of conflicting objectives amongst partners, where costs savings are the priority for one partner but improved quality or increased flexibility is more important to another.

Lack of trust between partners, whether between purchasing partners or between client and contractor, will almost certainly result in a failure to develop effective shared services. Trust is essential if partnerships are to overcome the problems of varying or conflicting needs and high initial costs to negotiate successful shared services contracts. The Audit Commission report also highlighted the problem of local authorities' reluctance to work with others for a variety of reasons such as lack of trust or poor relations between the organisations, at both political and managerial level.

*'The client/contractor relationship and developing an effective partnership are very challenging. Lack of trust, particularly at the beginning, is a massive problem. Trust cannot be achieved overnight, it has to be built up over time and requires give and take'*

- **Real savings**

In addition, there are some very real questions about the extent to which shared services can offer significant savings in a number of services. Shared services imply economies of scale and the prospect of greater efficiency in delivery by merging service provision but this will only improve efficiency in certain circumstances. For some services, for example housing repairs, lengthening chains of management may weaken performance.

The economies to be gained by sharing services may be relatively slight, and perhaps outweighed by other savings that could be achieved by re-engineering functions within a single borough. High capital costs at the outset and the high costs of complex procurement and partnership negotiations must be set against any long term gains that can be made. Reducing the time spent and the costs involved in procurement would have a major impact. Problems recruiting and retaining staff and the need to reduce costs of agency staffing may be a stronger driver for sharing some services than expectations of major efficiency savings alone.

- **Sustaining customer focus**

For all local authority services, the link between local communities and service providers is an important one. Services are sometimes now configured on a local or neighbourhood basis. As a result, service managers have a valued relationship with user groups and community organisations, and there are concerns that shared services might be less responsive to local community needs. Merging services across boundaries need not make it harder to respond to local community needs, but it will be important not to make savings at the expense of customer focus. Some services rely on 'co-production' which is characterised by the active involvement of local people in the delivery of the service. The role of carers, for example, is important in delivering social services, the role of parents is important in education and the role of tenants groups is critical to the delivery of high

quality social housing. In these cases a good relationship between local customers and providers is an important element of success. It could be argued that removing routine transactions from front line staff frees them up to do more interesting work, but it could also be seen as fragmenting the customer's relationship with the authority, and reducing the power of staff on the ground to put things right.

## **Shared services – the scope for innovation**

### **Business process re-engineering**

The debate on shared services has highlighted some very different underpinning approaches to process redesign. For some authorities, such as Westminster City Council, and their partners Vertex, the success in reducing service costs has been through a process of 'stripping out' from all services, including professional services, those transactional processes that can be made rule-based, and follow a pattern, and transferring those to a call-centre or contact centre where they can be processed by specialist staff with knowledge management tools. It is this process that they are keen to share with other authorities. It requires a radically different mind-set, and a willingness to challenge a number of assumptions about how services should be provided. Sharing services on this model would create savings from economies of scale, and the ability of contact centre staff to carry out many different transactions, and further savings can be made by locating these staff outside the borough. Westminster/Vertex is relocating its contact centre to Scotland.

Other consultants, such as Vanguard, argue from a radically different underlying philosophy that system improvement and efficiency is about a customer focused 'end to end system analysis' – paying particular attention to the contact between customers and empowered front line staff, and to a holistic approach to the service offered, trying to remove as many stages from the process as possible and thinking radically about ways to re-imagine what a service might look like. They would argue that creating 'scripted transactions' reduces the power that front line staff have to solve complex problems and separates out different parts of what is, in reality, a single relationship with the customer. Vanguard would argue that many of the 'transactions' that might be made routine are simply unnecessary and the result of 'failure demand' and that radical redesign can significantly reduce the number of steps the customer has to go through to get a service.

While shared services could be pursued using either approach to service redesign, and both probably involve equally radical thinking about how services are delivered, it is important that boroughs are clear about the underlying approach they have chosen to pursue, and that partnerships 'sharing' services have chosen the same approach. While it does not seem the case that shared services requires the standardization of transactions, this is the approach that is most often meant when shared services are discussed.

One area where shared services raise all these issues is in the development of shared contact and call centres. Where contact or call centres are simply a shared front office delivering different branded services for different providers in one place, sharing is relatively straightforward, and the savings involved would be primarily about ironing out peaks and troughs in demand. However, the real opportunities for savings, and improvements in service quality, are in the re-engineering of the back office, which requires the redesign of service delivery, often involving quite radical change to integrate services and release back office staff from unnecessary transactions. Trying to align such a process of re-engineering between one or more boroughs will be particularly

challenging, but unless this is tackled successfully shared call centres might simply add another level of transaction, or might further entrench old working practises. The radical customer-based systems that underpin the best call centres may be harder to build across organisational boundaries.

Interestingly, however, arguments that contact centres are difficult to share because local knowledge is necessary to provide local services were challenged in our interviews; it was pointed out that transactional services are often provided by agency staff or by temporary staff from Australia or Europe, who don't have local knowledge. One London Borough which has outsourced services uses maps, webcams and access to local newspapers to help staff based outside the borough have a good understanding of local geography, issues and activity.

### **Developing innovative services**

Participants in the workshop we held were optimistic that in certain circumstances, shared services could create a drive towards innovation and creativity. Where all parties shared the same vision of service direction and were equally radical in their thinking, the creation of a new shared service could pool expertise, share capital costs, and create scope to design different and more cost effective approaches to service provision. The critical success factors identified by interviewees and seminar participants are: strong leadership, a shared vision and a willingness to embrace change.

The experience of local authorities in developing LAAs suggests there may be increased scope for pooled budgets and integrated working across agencies. This may result in a number of different scenarios, depending on local needs and relationships. These include greater integration between different agencies in a locality, for example by creating one stop shops for all local services. There may be increased sharing between neighbouring local authorities or sub-regional groups with common geographical characteristics, or authorities which although not geographically proximate, share other important characteristics such as political philosophy, demographics or economic drivers.

### **Shared services – a new typology**

Our research suggests the need for each borough to reflect carefully on the outcomes it is hoped to achieve through sharing services, since the risks and benefits are very different depending on which sort of services are shared.

A recent study (SERCO 2005) suggested a typology of three possible shared services models:

**Centralisation:** One organisation with multiple departments centralises their own corporate support capabilities into one shared service.

**Collaboration:** Two or more public sector organisations collaborate to develop a shared solution, sometimes with external funding.

**Commercialisation:** A public or private sector organisation (perhaps both) develops a shared service centre and then takes it to market.

This study has not focused on the 'centralisation' option because that is more about integration of service delivery within an authority than shared services, and while this is

also an efficiency option being pursued within authorities, it is not clear how far it may be a pre-cursor to sharing services between authorities.

‘Collaboration’ fitted most closely with the approach of most of the local authority managers we interviewed, and is clearly being pursued in many cases.

The ‘commercialisation’ model seems to work in two main ways:

First, where a partnership between the private sector and one authority begins to extend the reach of the services provided to cover other authorities. There does seem to be scope here for sharing capital costs, and for sharing overheads while being able to offer differentiated services to the customers of each authority.

Second, where private sector organisations such as Capita are providing standardised transactional services to several local authorities. This does not require any partnership relationship between the local authorities who buy those services but it does give the benefits of economies of scale, additional capacity when required and resilience. The disadvantage for purchasing authorities is that each negotiates separately and therefore carries all its own procurement costs and misses the opportunity for negotiating a better price for a larger, collective, volume of work.

We would therefore suggest adding an additional way in which services might be shared, through shared ‘**Commissioning**’.

Many of the participants in the workshop suggested there was scope for shared purchasing and stronger ‘market making’ between authorities to develop a more appropriate pool of potential providers, to more closely match provision to service needs, and to negotiate better deals with shared providers.

A more comprehensive typology of shared services might therefore include:

- Shared commissioning between two or more local boroughs
- Shared commissioning between a borough and other local public agencies within the borough e.g. health, police.
- Shared delivery between two or more boroughs
- Shared delivery between a borough and other local public agencies within the borough, e.g. health, police.
- Simple outsourcing, with several local authorities purchasing the same or similar service from a single provider
- A delivery partnership between a borough and a private partner, offering services to other local authorities/public services.

## 5. Exploring the options – when does sharing services make sense?

The risks and benefits of shared services will differ substantially depending on what it is that the authority is trying to achieve. Sharing some services is clearly more risky than sharing others. Some offer modest savings with little risk, while other higher risk areas might, in the long run, offer scope for more significant savings.

Private sector companies take these risks on a business basis and survive or fail depending on their success but since local authorities are accountable to their electorates, and are subject to audit, inspection and performance management in a range of ways from the centre, they inevitably tend to be risk averse. The risks to politicians and local managers of serious service failure are very great and pressures to reduce costs always have to be balanced by pressures to improve service quality, customer satisfaction and social outcomes.

Local authorities are unlikely to consider financial savings that are achieved at the expense of quality of service and customer or public satisfaction. This may lead to reluctance to take risks, but where financial constraints are very severe, it may also lead to the acceptance of radical change, since incremental change or 'salami slicing' services as currently provided may seem less desirable than maintaining current levels of service by pooling costs or changing working practices.

Shared services are likely to be more often pursued, therefore where there is evidence that it will be possible to:

- Reduce costs with quality maintained – (low risk pooling of costs for example pooling out of hours services or sharing the administration of insurance)
- Achieve the same costs with increased quality – (sharing expert providers, such as legal services or public relations, or customer focused redesign through developing a shared call centre and back office function)
- Reduced costs and increase quality – radical change (developing a new integrated health and social care service; or sharing the development of new environmental services)

**In each case, however, the costs savings available through shared services will be balanced against the cost savings to be achieved through simple outsourcing or through stripping out costs within a single authority.**

Workshop participants helped to identify both examples of current practice, and those areas where it was suggested boroughs might start to think about shared services. Frequent advice offered was to start with low risk areas, develop experience, trust and expertise and move gradually on to more challenging areas.

A number of areas were seen as relatively 'low risk'. They fell into four main areas:

1. Small value contracts that are highly specialist but not particularly politically sensitive – i.e. translation services
2. Transactional services that did not involve customer interaction such as business rates administration, council tax administration, insurance, pensions administration and emptying parking meters

3. Pooling services that don't change from area to area such as legal services
4. Pooling the overheads of services with additional capacity, for example, out of hour's services or a shared non- emergency number.

A range of other services were seen as low-risk since the transactions with the public were relatively straightforward, for example, parking services or car-parks. In these cases it was relatively straightforward for each borough to retain control over the policy that guided service delivery in their area; setting parking charges etc. Indeed, interviewees reported that it could be seen as a benefit to distance politicians from the detail of delivery, for example, by devolving parking to a London-wide body. Members could often see the benefits of less direct ownership of some services.

Services in the medium risk area might include building control, trading standards, revenues and benefits, some elements of recruitment and human resources..

A third set of services were suggested as high risk because they are more highly sensitive. It was suggested that members would find it hard to lock themselves into contracts that prevented them from changing policy or cutting expenditure in key areas such as education or social services. However, external procurement is already common for these types of services and shared services are already being developed in order to improve holistic and integrated provision, for example in mental health. It is difficult also in areas where geography is a key issue in defining the nature of the service, or where political choices are important in determining the nature of the service, for example,. recycling, parks and gardens, sports services, environmental services and the nutritional content of school meals.

In these more sensitive areas, one of two things has to happen. Either the provider, whether public or private, has to be able to offer a highly differentiated service in each area or the collaborating boroughs have a strong shared vision and an ability to work in close partnership. This may imply that in the more sensitive services, political or cultural alignment may be more important than geography. In these areas, leadership and vision are vitally important if progress is to be made.

In the development of radically different service options, there may be benefits of shared services, both because of pooled risk and cost, and because of the benefits of pooled intelligence and ideas. Where services are evolving, however, and improvements and savings are uncertain or hard to measure, it is crucial that the partnership is strong on all sides, and there is considerable trust between authorities, and between commissioners and providers. Political buy-in will be crucial, and often difficult to sustain over time, especially if projects encounter difficulties.

## **Shared commissioning**

In addition to collaborative work to share service provision between authorities, our research points to benefits to be accrued from shared commissioning or purchasing across London.

In a number of key service areas, there would be benefits in creating a shared market place, in areas where currently there is no market, so that outsourcing is not yet an option, or where the market is very limited. Leisure service provision was mentioned as an example of this type of service. By developing a shared commissioning strategy,

authorities could encourage providers to enter the market, better match provision to needs, co-design appropriate services and develop new partnerships.

There is scope in many of the regulated areas of provision for market making, using the powers of local authorities to direct attention to service gaps and helping providers to respond to community needs. In a number of areas, such as the spot purchasing of the needs of people with complex illness or disability, shared commissioning might be better able to create the range of provision needed in the capital.

Boroughs with a strong track record in outsourcing might be better at negotiating on behalf of others, and would be able to do deals which would be beneficial for London as a whole. Boroughs would want to be paid for their expertise, so the question would be whether it would be in the interests of other London boroughs to purchase that expertise from partners.

Exploring new ways of working, and systems to underpin, for example, home working, might be more efficiently pursued on a joint basis.

In other areas, local authorities may be paying far more for services than is necessary, and it would be possible by combining forces, either to negotiate a better price with providers, or to ensure that all boroughs gained the benefits of shared overheads. The ability to procure on a London-wide basis might offer real savings, for example, in procuring books for libraries, or service equipment, as well as outsourcing services. In some areas, collaborative London-wide purchasing, could reduce the costs of agency staff, for example, or create a public sector agency to supply such staff.

Finally, shared commissioning offers the possibility of shared thinking and bringing together ideas about possible new solutions to entrenched service delivery problems, or possible new services that might better meet London's needs.

## 6. A framework for making choices around shared services

The table below presents the range of services that have already been shared in some instances in order of 'risk' or 'sensitivity' – bearing in mind, the possibility, however that the higher 'risk' areas might offer more opportunity for savings than the lower risk areas.

	Activity	Pros	Cons
<b>Low risk:</b>			
<b>Professional services</b>			
	Translation and interpretation services	Economies of scale can support more comprehensive cost effective service	Need local flexibility to ensure access Potential savings relatively small
	Legal services	Consistent between authorities Helps to manage workflow	Potential savings relatively small
<b>Transactions – low customer or staff interface</b>	Pensions administration	Straightforward-savings	Service may seem remote to staff
	Insurance admin	Standard service	Small savings
	Parking services	Economies of scale	Reduced political control
<b>Capacity management</b>	Out of hours emergency services	Increased capacity and reduced costs	May be more difficult to provide holistic service
	Single emergency number	Increased capacity and reduced costs	May require significant back-office change
<b>Medium risk</b>			
<b>Transactional services – 'medium risk' customer or staff interface</b>	Revenues and Benefits	Reduced costs	May be more difficult to provide holistic service
	Payroll	Economies of scale	Need to standardise
	Trading standards	Shared capacity	Need to standardise
	Building control	Shared capacity	Need to standardise
	Recruitment	Reduction of costs	Need to

	services	of recruitment	standardise
	Staff agency service	Shared commissioning and reduced costs	Some loss of local flexibility
<b>Front office – Customer access</b>	Call centres Contact centres	Shared capacity Use of staff in other areas Shared systems	Problems negotiating shared systems and shared 'back office' Problems with service integration
<b>Non-transactional services</b>	Waste disposal	Shared use of excess capacity	Different re-cycling systems in boroughs
	Street lighting	Economies of scale	Need to deliver different specifications for different boroughs
<b>Higher sensitivity Need for service differentiation..</b>	HR	Economies of scale	Need to deliver to different specifications for different boroughs
<b>High risk</b>			
	Choice-based letting	Reduced voids and shorter re-let times	Need to negotiate standard rules
	Housing repairs	Economies of scale Lower unit costs based on higher volumes	Longer management chain may result in loss of control Need to standardise approaches
	IT support and infrastructure	Economies of scale	Cost of replacing legacy systems Complexity of procurement
	Risk management	Economies of scale	Some loss of local control
<b>High sensitivity – need for customer focus – politically sensitive –scope for radical new design..</b>	Residential care for the elderly  Personal care  Supporting People floating support	Scope for radical service innovation Economies of scale Challenging provider driven service models	High levels of political risk  Risk to vulnerable service users Standardisation might cut across innovation
<b>Shared vision</b>			

<b>Need for community responsiveness and dialogue</b>	Neighbourhood services	Scope for developing ways of delivering services	High risk –need for stakeholder involvement
	Housing management services	Economies of scale	Services could be remote
	Education services	Economies of scale	High risk –need for stakeholder involvement

## 7. Conclusions

### Overcoming barriers – achieving benefits

While pressures for change are significant, barriers are often practical and real. Each borough therefore needs to make an assessment of the critical success factors, the types of service which may be appropriate for shared service arrangements and the benefits to be gained.

Some of the reluctance to become involved in shared services can be interpreted as natural concerns about the high risks involved, the absence of sufficient economies of scale and uncertainty about the scope for real savings. In other cases, boroughs are facing real service choices, in particular about whether to explore shared services with other boroughs, or to look at integrating services between agencies within the borough. These may present important policy choices in terms of direction, since it may prove too resource intensive to pursue both at once

London boroughs face significant challenges to effective, joined-up, local service delivery. For example, current changes in Primary Care Trusts make it hard to sustain partnership arrangements. Changes in government policy can imperil complex service choices. A less turbulent policy environment may be an unrealistic expectation, but in that case progress on shared services has to be carefully risk managed.

Radical thinking and innovation may be easier to pursue within a borough than through difficult partnership arrangements which could slow down change. However, where local partnerships share a vision for change and have strong leadership there is potential to use the opportunity provided by shared services to overcome resistance from within individual boroughs.

There are very different schools of thought about process redesign and it is important that authorities are clear about the underlying principles they are choosing to follow, and the strengths and weaknesses of each approach. Whatever approach is chosen however, challenging existing mind-sets and thinking innovatively about services may be an important element in achieving savings without losing quality.

There are clearly areas where shared services have been successfully pursued, and there is considerable scope to move further and faster in some areas. In the low risk/ 'low sensitivity areas, for example, there are considerable opportunities, and the spreading of best practice and practice exchange between boroughs will be very helpful.

We also recognised that for some London boroughs, shared services might provide opportunities both to re-design services and achieve greater value for money even in the service areas that are more politically sensitive. Strength of vision, partnership working and solutions to the problems raised above will need to be strong enough to overcome political anxieties and the risk of raising community concerns.

## Critical success factors

Critical Success factors		Service Type				Benefits	
Political commitment		Non-personal		Personal – high impact Block contract		Quality gains	
	<b>And</b>		<b>Or</b>		<b>And</b>	Quality maintained/ cost savings	<b>Yes</b>
Leadership							
Supportive organisational culture		Standardised		Personal – Low impact transactional		Cost savings	
Skills and capacity		Internal support service				Low impact on local economy	
Trust between partners							

The table above highlights the combinations critical success factors, service types and local circumstances which seem most likely to lead to the development of successful shared services. The perceptions of interviewees and seminar participants, as well as the experience of local authorities in England as a whole, London boroughs and other providers involved in shared services suggest that political commitment, leadership, a favourable organisational culture, the right skills and management capacity are the key critical success factors.

In some cases, barriers are about reluctance to change, or about a culture of silo thinking. What is needed here is both strong leadership within each authority, and opportunities to expose managers to the successes elsewhere – and opportunities for managers to exchange ideas and thinking.

A number of practical moves could help:

- Providing opportunities for members to learn about examples of success and to explore options for change
- Ensuring that discussions take place at a senior enough level, so that tactical discussions at operational level are matched by strategic alignment at the top of organisations. It was suggested that chief executives across London, and within

sub-regional partnerships have an important role in exploring the potential for more ambitious shared services

- Creating forums and workshops within which those managers leading key services can share experience and information.
- Providing access to the data and expertise which would enable them to make judgements about comparative efficiency and effectiveness. Shared data that would enable managers to quantify possible ‘entry costs’, and assess cost-benefits, and a models for standard services against which it would be possible to judge the performance of suppliers were all suggested as helpful.

### What could the Centre of Excellence do to encourage further innovation?

Participants in the workshop welcomed the role and support of the Centre for Excellence, and made a number of suggestions about how the Centre could support their work in the future. These included:

- Database of contracts and contacts
- Raising awareness of the role of LCE – ensuring that managers are more aware of what’s on offer
- Feeding back to central government on the drivers, barriers and information gaps
- Creating opportunities for shared exploration of new ‘product’ ideas and testing out thinking around new shared services.

The LCE is already well placed to support some of these demands and others that have arisen during the study through its existing projects.

Issue	LCE Activity
Database of Contracts	Pan London Contracts Register Service successfully piloted in WLA. Contract for switch on across whole of London signed with NIP Ltd. Ideal for supporting shared services agenda. <a href="http://www.contractsregister.com">www.contractsregister.com</a>
Contract Management Advice	Contract Relationship Management report delivered. Specific areas being piloted across London. <a href="mailto:MARK.ATKINSON@london-fire.gov.uk">MARK.ATKINSON@london-fire.gov.uk</a>
Procurement and Contract Skills and Knowledge	Advanced project led by Camden to modularise and allow boroughs to acquire these skills through a certified training programme. <a href="mailto:Stephanie.Favell@Camden.gov.uk">Stephanie.Favell@Camden.gov.uk</a>
Agency Services	Major pan-London led by L B Havering delivering essential toolkits and new Knowledge Centre. <a href="mailto:Susan.Prettyman@haverling.gov.uk">Susan.Prettyman@haverling.gov.uk</a>
Management Consultancy Services	Project led by L B Hounslow and Corp of London developing toolkit and knowledge repository. <a href="mailto:Andrew.Tregidgo@cityoflondon.gov.uk">Andrew.Tregidgo@cityoflondon.gov.uk</a>

Issue	LCE Activity
Postgraduate Qualification in Commissioning and Purchasing for Primary Health, Social Care and Housing in London (Association of London Government)	New programme available from LCE. Jain.lemom@alg.gov.uk
Model Contract Standing Orders	Available from <a href="http://www.lcpe.gov.uk">www.lcpe.gov.uk</a>
Review of Contract Standing Orders	Carried out by Hedra. Copy available from <a href="http://www.lcpe.gov.uk">www.lcpe.gov.uk</a>
Expenditure Analysis Outcomes	Summary Results from 2003/4, 2004/5 available from LCE. 2005/6 in hand – should be available by October 2006.

In addition, the LCE welcomes new bids in this area from groups of boroughs to undertake feasibility studies, particularly where the outcomes will be of benefit to other boroughs. Details of how to bid can be obtained from [www.lcpe.gov.uk](http://www.lcpe.gov.uk)

## Appendices

### Appendix A: Shared Service Agreements – examples

#### **Yorkshire Health Consortium and AGRESSO**

July 2005 – Agresso and its strategic partner Netstore won a £1.4 million contract with a consortium of NHS Trusts in South Yorkshire to implement the AGRESSO Business World finance and purchasing system in a shared managed service agreement.

The joint procurement and implementation is designed both to save time and money and to share expertise amongst the four consortium members – the Rotherham NHS Foundation Trust, Doncaster and Bassetlaw Hospitals NHS Foundation Trust, Barnsley Hospital NHS Foundation Trust and South Yorkshire Ambulance Service NHS Trust. It will help the individual Trusts to achieve the overall efficiency targets set out by the Gershon report whilst enabling them to focus on core services.

Each Trust will have its own version of AGRESSO Business World, plus access to a common AGRESSO system, installed on remote servers at a Netstore secure datacentre. The consortium is implementing AGRESSO's core financial, purchase order processing and web requisitioning modules, plus the business enquiry and reporting suite, with go live scheduled for October 2005.

#### **Hampshire Shared Financial Services**

Hampshire Shared Financial Services (HSFS) provide high quality & cost effective Financial Services for the Hampshire & Isle of Wight health community.

This Shared Service Agreement provides shared financial services across the county of Hampshire and Isle of Wight which are focussed on improving service quality, responsiveness and management information and at the same time releasing funding through operational efficiencies to be reinvested into the provision of healthcare.

#### **Dudley South PCT**

In line with the PCT competency framework which calls for greater use of shared service agreements Dudley South PCT works closely with Dudley Beacon and Castle PCT. There are a number of shared services and Dudley South PCT hosts the following services for the two PCTs: learning disabilities; allied health professionals service; community dental services; psychology and counselling; tissue viability; estates; and the professional development and training unit. Dudley Beacon and Castle PCT provides mental health services and a number of non-clinical facilities, including the public health department, and clinical governance unit.

#### **National Shared Service Centre – The Prison Service**

The Prison Service has identified the need to improve its finance, procurement and HR support services.

A National Shared Service Centre has been designed to bring together and simplify processes within these areas as part of a project known as the Phoenix Programme.

The Phoenix Programme is an initiative introducing new ways of working in finance, procurement and HR, to reduce costs while providing consistent, high quality support to the organisation. A new IT system will be implemented across the Prison Service to help achieve this.

The National Shared Service Centre will be located in Newport, Wales and is due to open in 2006.

### **Lichfield and Staffordshire Moorlands**

In 2003, Lichfield and Staffordshire Moorlands District Councils formed an alliance to help to achieve their e-government objectives. The alliance to procure an outsourcing solution from Serco has resulted in a number of benefits for the councils. These include an improved IT infrastructure, improved access to services for citizens across both districts and improved efficiency of back-office processes.

The procurement strategy has also resulted in additional funding of £150,000 from the Office of the Deputy Prime Minister (ODPM) in recognition of their innovative approach and an award for outstanding achievement from the Society of Procurement Officers, being highly commended in the SOCITM/Solace/Intellect awards, and winning the accolade of best IT outsourcing deal 2004' from the National Outsourcing Association.

When Lichfield and Staffordshire Moorlands commenced work towards their e-government objectives in 2000, both councils felt that an innovative approach was needed in order to create the best service possible. Having discussed the project, both councils shared a belief that in order to truly deliver on e-government objectives, they needed to exploit the joint vision, expertise and economies of scale presented through a partnership with one another.

Both councils undertook a full options appraisal on service delivery models and unanimously decided on an external partnership, primarily because this approach presented scope for greater access to skills and resources and as such, a significant step change in service delivery could be achieved in a much quicker timeframe.

Rita Wilson, corporate director for organisational development at Lichfield District Council comments:

'Through outsourcing the upgrading and management of our IT infrastructure to an external provider, we knew we could be able to access a greater bank of resources, rely on 24/7/365 service and be able to tap into all of the skills we required. Having weighed up the options, we knew we simply wouldn't be able to achieve the high service levels we needed through continuing with an in-house service.'

The rationale behind the joint procurement was based on several factors. Firstly and most importantly, the combined entity made up of the two councils could attract a wider range of better quality service providers. Once a provider had been selected, the two councils could share support costs such as legal fees and consultancy so more funds could be dedicated into improving a wider range of services. In addition there would be twice the number of resources to assess the market and evaluate the various solutions proposed – reducing the time invested by each council.

Having made the decision to outsource to a specialist provider, Lichfield and Staffordshire Moorlands went to tender and set out a specific range of criteria with the help and involvement of SOCITM (Society of IT Managers).

Serco was selected because it had a good cultural match with both Lichfield and Staffordshire Moorlands councils, an ability to meet the strict criteria set out and a genuine enthusiasm to work with both councils according to their partnership model.

Both councils are now realising the benefits of their joint procurement of Serco's services. All of their IT processes for support services – including infrastructure, desktop management new projects, disaster recovery, systems development and integration, database management and helpdesk support – are managed through a single partnership.

Chris Elliott, Head of ICT & Corporate Procurement at Staffordshire Moorlands Council, comments: 'We now have a 365 degree view of all our IT systems as well as common standards to benchmark against. We can constantly monitor and measure performance against these standards and use information gleaned to support our wider e-government strategy. In addition, we've had excellent feedback from users who are already experiencing far greater service levels than before.'

He continues: 'As and when we undertake any project or major upgrade, both the Lichfield and Staffordshire Moorlands teams know that they can rely on the experience, expertise of a trusted partner. Through working with Serco we have maximised our skills pool, resources and capabilities and almost eliminated the risk factor associated with many projects, which are undertaken in-house. Our approach proves that working as part of a true partnership based on trust and honest feedback reaps immense rewards. As a result of this project we really have achieved results that otherwise simply would not have been possible.'

### **Partners: Hammersmith and Fulham, Tower Hamlets and Kensington and Chelsea LEAs and PricewaterhouseCoopers – DfES Grant £280k**

This model aimed to develop a partnership of cross-LEA expertise that could be used to support continuous improvement, both within the partnership and as a service to non-partnership LEAs. This approach will:

- enable the three authorities themselves to build on their successes and improve still further by sharing expertise and good practice; and
- enable other LEAs, particularly in London and the inner city, to benefit from the knowledge, skills, abilities and practice of the three authorities and the private sector.

The benefits for partner LEAs will include enhanced career progression and professional development opportunities within the partner LEAs, thus aiding recruitment and retention of staff. The project will also foster skills transfer within the partner LEAs and with the private sector to enhance the quality and flexibility of staff.

PwC was involved as a partner organisation providing a constitutional, financial, legal and operational framework of a new model for LEAs to work collaboratively.

### **Current and future developments**

The intention is to widen the Partnership from its current 5 members to involve all the London LEAs. A full time manager has been appointed and the Partnership is moving to a self-funding basis. The Partnership is currently involved with Westminster, Barnet, Tower Hamlets, Merton and Ealing.

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### **Bannock Report review of the London Partnership**

The origins of the model stem from a wish to promote quality improvement in public services in London and demonstrate that quality services can be provided without necessarily drawing on private sector involvement.

The partnership began as an informal arrangement between three Directors of high performing LEAs – Hammersmith and Fulham, Tower Hamlets and Kensington and Chelsea. PwC joined the partnership and it secured funding from the DfES New Models Fund.

The vision was to improve by sharing best practice across the authorities and to support other less well performing LEAs in the London area. The aims of the London Partnership included:

- sharing successful practice across LEAs
- providing collaborative support as required
- sharing expertise and staff
- offering developmental opportunities for staff in the public sector.

Most of the early activity undertaken by the partnership has been in support of Enfield as it addressed a critical Ofsted report. For its part, Enfield responded promptly to the report and was keen to become involved with the partnership, based on the reputations of key players. The partnership was seen as a useful support to Enfield's own self-improvement.

An advisory team was drawn from the three LEA partnership members and was managed by Hammersmith. A Steering Committee, formed to oversee the work, included representatives from all the authorities and from PwC.

This way of working was new to those involved and the preparation, planning and project management were 'under-developed'. There were no terms of reference or protocols for dealing with issues, some sensitive, as they emerged. Nevertheless, there was a strong sense of mutual trust and all parties were committed to making the arrangements work. Participants from Enfield took a pro-active approach to help clarify the way in which the

process should be taken forward and there is a consensus that all benefited from working together.

Some money was exchanged between the authorities for services provided but in general the work with Enfield was supported by the new models funding. This was used to cover expenses incurred, including review and evaluation by PwC and, for as long as funds allowed, to recruit and pay for a full-time Partnership Coordinator. Individual members of the advisory team were not remunerated beyond their normal salary. Their efforts in excess of normal working hours were made on the basis of goodwill and for the sake of their own professional development. This effort was made at the potential expense of their home authorities, as there was no covering of posts to cover their absences. It is not clear what the effect on the work in Enfield would have been had a crisis emerged in any of the LEAs providing advice.

The most recent Ofsted report shows that progress made is highly satisfactory. The future of the London Partnership is under review. The work in Enfield is complete. The Partnership Coordinator continues to broker service provision, but little further tangible progress has been made. Some work has been undertaken involving Tower Hamlets and Westminster, and Camden and Wandsworth have joined the partnership. It seems clear to the parties that for the partnership to add real value there would have to be more investment.

The partnership is now forging links with the London Commissioner, DfES and the Association of London CEOs, and working on inclusive membership arrangements for all London LEAs.

### **Evaluation**

The evaluation focused on the partnership's support to Enfield LEA. All parties involved reported having learned from the experience, with some personal benefit to those concerned. The outcome was good value for money for Enfield. Sustainability will depend on leadership and personal commitment, as the operational model within the Enfield has not changed. It is not clear that this model could be effectively repeated in London or replicated elsewhere. The skills required for a complex advisory assignment are not readily available and some would say are normally developed during the course of a local authority career. The team concerned would not undertake a similar task without resources to cover their day jobs and the cost of this would then need to be met. The vision of sharing good practice across members of the partnership had not been realised by the time of our discussions.

London Partnership Partners: Hammersmith and Fulham, Tower Hamlets and Kensington and Chelsea LEAs and PricewaterhouseCoopers: 2001 Strategy document

### **Legal and constitutional status**

From August 2002 the London Partnership's activities will need to be funded from income generated by the Partnership itself. This income will flow from charges or fees levied upon Partnership members and those drawing on its services. The level and nature of this trading activity is a critical factor in determining the future model for the Partnership in legal and constitutional terms.

We envisage two phases in the London Partnership's development from August 2001. In the short term there will be limited trading activity and the Partnership should be organised as a public partnership. This would involve a joint committee or board comprising representatives of partner authorities which may include other agencies, including the

private sector. It would be governed by local government legislation, including trading restrictions. Roles and responsibilities would be set out in a memorandum of understanding, which could be legally binding on members. A possible variant would be a 'social corporate entity', should the government decide to legislate to allow the model. In the longer term, the London Partnership may decide to expand its trading activities beyond the point at which the government deems it prudent for a local authority to engage in such activity. If so, the Partnership should then consider establishing a local authority controlled arm's length company.

### **Operational arrangements**

We see two main ways in which London Partnership membership could be arranged: a continuation of the core and associate approach; or a single membership category. Under either option, the Partnership board would have a role in deciding who could provide advice and support to other LEAs under the auspices of the Partnership. The Partnership will require a central capability comprising a Partnership co-ordinator supported by a small administrative unit. A full-time co-ordinator is likely to be needed if the Partnership is to be self-financing from August 2002. A job description for this post is attached.

### **Financial arrangements**

We recommend that the Partnership generates income from two sources: a membership fee to cover the fixed running costs of the Partnership and activities to support the sharing of good practice across LEAs; and specific charges for additional intensive advisory support purchased by individual authorities.

The level of the membership fee will depend in part on the number of members recruited. If a relatively high figure is thought to deter member from joining then it could be possible to reduce it by top-slicing a proportion of the consultancy fee income to contribute towards the Partnership's fixed costs.

## **Appendix B – Other examples of shared services identified in the interviews:**

Breckland and Forest Heath – common services procured jointly by two local authorities who are now encouraging others to join the consortia

Worthing and Adur – comprehensive discussions about sharing many services

Anglian Support Services – joint services to 10 Primary Care Trusts

Roses Market Place – nine councils in the north of England engaged in joint procurement

Kent – partnership with Swindon to support Swindon's recovery programme

Capita manages a contact centre which 20 councils buy in to for services such as out of hours, resilience and disaster recovery.

Bromley – a revenue and benefits service run for the council by Capita provides services for a number of other authorities

South Oxfordshire and Vale of White Horse have a joint procurement arrangement with Capital for the provision of revenue and benefits and financial services.

Westminster housing benefits service is run in Blackburn by Capita

The key London Boroughs are sharing planning staff in preparation for the Olympics.

Public relations service for London Borough of Richmond is provided by Westminster

The ALG provides pan-London services for parking, traffic appeals and voluntary sector grants.

West London Strategic Alliance

Five boroughs in West London share a choice based lettings scheme

Western Riverside Waste Collection

The London boroughs of Kensington and Chelsea and Hammersmith and Fulham share a parking meters service

## Appendix C – Interviewees and seminar participants

### London Centre of Excellence – Shared Services Study

#### Seminar

Bonnington Hotel, Southampton Row, Bloomsbury  
24<sup>th</sup> April 2006

9.30am	Registration and coffee	
10am	Welcome, introductions and brief summary of purpose of the study	Ken Cole, Chief Executive, London Centre of Excellence
10.10am	Policy drivers, key issues and early findings from the research	Sue Goss Principal OPM
10.30am	<b>Workshop 1 Bigger picture</b> Drivers and opportunities Barriers and threats	Sue Goss
11.15am	Tea and coffee	
11.30am	<b>Workshop 2 London experience</b> Successes and progress to-date Exploring future opportunities	Sue Goss
12.15pm	Summing up	Ken Cole
12.30pm	Close and lunch	

#### Seminar attendees

Name	Title	Organisation
Jeff Potter	Head of Exchequer Services	LB Havering
Steven Evans	Head of Customer Services and Revenues	Royal Borough of Kensington and Chelsea
Stephen Wood	Personnel Manager, Policy Systems and Payroll	Royal Borough of Kensington and Chelsea
Mike Sofianos	Assistant Director of Finance	LB Greenwich

Leslie Smith	Asst, Director of Finance (Financial Governance)	LB Greenwich
Nick Walkley	Director of Resources	LB Barnet
David Edwards	Head of Performance	Bexley
Chris Hannan	Assistant Chief Executive, Business Improvement	LB Newham
Ian Goldsworthy	Head of Strategy and Resources (Corporate Services)	LB Waltham Forest
Brian Dean	Exchequer Services Manager	LB Waltham Forest
Wyn Williams	Head of Business Consultancy	Richmond upon Thames
John Doran	Head of Performance, Finance and Commissioning	LB Hillingdon
Andrew Malin	Head of Revenue Support Services	LB Hillingdon
Mike Curtis	Director of Finance	LB Islington
Andrew Stephens	Assistant Director of Customer Focus (Strategic)	LB Islington
Dave Starling	Head of Procurement	LB Bromley
Sally Leigh	Head of Corporate Procurement	LB Lambeth
Joanna Angelides	Procurement Consultant Performance and Procurement Division	LB Hammersmith and Fulham
Jeremy Bowley	Strategic and Procurement Manager	LB Southwark
Will Tuckley	Director of Policy and Corporate Services	LB Croydon
Mark Hynes	Director of Legal and Democratic Services	LB Lambeth
Mark Brewer	Head of Corporate Procurement and	LB Sutton

Support Services

Merle Ferguson	Standards and Training Manager	LB Hackney
Hamant Bharadia	Finance Information Systems Group Manager	LB Lambeth
Alan Evens	NNDR Service Manager	LB Barking and Dagenham
Peter Stanton	Programme Manager	LB Barking and Dagenham
Ken Cole	Director	London Centre of Excellence
Esther Thomas	Project Officer	London Centre of Excellence
Philip Snowling	Programmes Manager	London Centre of Excellence
Ruth Taylor	PA Administrator	London Centre of Excellence
Sue Goss	Facilitator	OPM
Rob Coffey	Researcher	OPM

**Interviewees**

**Interviewee**

**Organisation**

David Cullen	Hedra
Anna Price	Hedra
Vic Bayliss	Westminster City Council
John Dimmer	Westminster City Council
Paul Twine	Westminster City Council
John Dimmer	Westminster City Council
Richard Busby	Vertex
Mark Spink	HBS
Martin Pilgrim	ALG
Francis Murphy	London Borough of Hammersmith and Fulham
Jane West	London Borough of Hammersmith and Fulham
Bill Murphy	London Borough of Southwark

Mark Chapman

Capita

Richard Hill

London Borough of Islington

**DCLG seminar 30<sup>th</sup> May 2006**

**Attendees List**

<b>Name</b>	<b>Position</b>	<b>Organisation</b>
1. Chris Wilson	Executive Director	4ps
2. Ruth Hyde	Chief Executive	Broxtowe Borough Council
3. Colin Cram	Director	NW Centre of Excellence
4. John Tizzard	Director of Policy & Public Affairs	Capita
5. David Clark	Director General	SOLACE
6. Ben Page	Managing Director, Public Affairs	IPSOS MORI
7. Carol Grant	Director	Grant Riches communication consultants ltd.
8. Neil Bentley	Director	Public Services Directorate, CBI
9. Cllr Edward Lord, JP	Chairman	4ps
10. Amanda McIntyre	Director of Public Affairs	Accord plc
11. Michael Hughes	Director	Institute of Local Government Studies
12. Alexander Stevenson	Director	RSe Consulting
13. Barry Quirk	Efficiency Champion, Chief Executive	LB Lewisham
14. David Wood	President	Society of District Treasurers
15. Sir Brian Briscoe	Chief Executive	Local Government Association
16. Tom Drury	Managing Director	Vertex
17. Julian Morley	Director	South West Centre of Excellence
18. John Hayes	Director of Services South	Improvement and Development Agency
19. Ian Downie	Strategic Development Director	Serco Solutions
20. Graham Turner	Chief Executive Officer	North Somerset Council
21. John Findlay	Chief Executive	National Association of Local Councils

22. Cllr Simon Milton	Leader of the Council	Westminster City Council
23. Rob Leak	Chair (in place of Martin Pilgrim)	London Centre of Excellence
24. Sue Goss	Market Principal	OPM
25. David Padwick	Director	PricewaterhouseCoopers
26. Jan Parkinson	Managing Director	LGE
27. Warren Hatter	Head of Research Unit	New Local Government Network
28. Ann Blackmore	Head of Policy	NCVO
29. Peter Stybelski	Chief Executive	Cumbria County Council
30. Phillip Ramsdale	Executive Director, IPF	CIPFA
31. John Seddon	Managing Director	Vanguard Consulting
32. Steve Bundred	Chief Executive	Audit Commission
33. Anne Jackson	Director of Strategy	DfES
34. Chris Allison	Director	EM Centre of Excellence
35. Vanessa Brand	Head of Local, Regional and International Division	DCMS
36. Martin Hart	E-Government Unit, Service Design Authority	Cabinet Office
37. Cllr Chloe Lambert	Independent Group Leader	LGA
38. John Kelleher		Tavistock Institute
39. Ronan Segrave	Project Manager, Older People and Disability Division, Care Services Directorate	Department of Health
40. Robert Arnott	Head of Value for Money Team	Home Office
41. Bill Price		Society of District Treasurers
42. John Blundell	Director, Local Government	E-Gov Unit, Cabinet Office
43. Michael Grimwood	Policy Lead on Police Service Efficiency	Home Office
44. Cllr Richard Kemp	Leader, Liberal Democrat Group	LGA

**OPM (facilitators):**

Robin Clarke

Kai Rudat

Jude Cummins

Simon Courage

Malcolm Prowle

**DCLG**

Uzma Ahmed, Local Government Modernisation and Efficiency Team

Ashley Pottier, Local Government Modernisation and Efficiency Team

Sue Reid, Head of Modernisation and Efficiency Division

David Prout, Director, Local Government Policy Directorate

**HMT**

Chris Videroni, Local Government Team

Simon Ridley, Head of Local Government Team