



a shared approach to
building a better Scotland

A CONSULTATION PAPER ON A NATIONAL STRATEGY FOR SHARED SERVICES

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MINISTERIAL FOREWORD

In June 2004 we launched our Efficient Government Initiative, a central component of our reform agenda which aimed to tackle waste, bureaucracy and duplication in Scotland's public sector. Our plans for Efficient Government were set out in the document "Building a Better Scotland" which highlighted shared services as one of five key workstreams we wished to take forward and which was expected to play a significant role in delivering our long term target of £1.2bn annual cash savings by 2010/11.

This consultation document sets out our proposals for taking forward shared services across Scotland. It provides evidence to support our view that shared services can release significant efficiency savings for investment in front line services, but equally highlights the potential for shared services to drive up service quality and consistency.

Shared services can mean different things to different people and this document identifies our views on the areas that lend themselves to a shared approach and the different models for sharing that are available. Our aim is to develop shared business support functions and common business processes that are more independent of the traditional structures and boundaries that exist within the public sector. These will be more adaptable and better able to meet the needs of the joined up and customer focussed front line services that will be the focus of our debate on public service reform over the coming months and years.

We recognise that there are already many excellent shared service initiatives being taken forward across Scotland and we want to support

and build on these examples. Equally, we recognise there is a key role for central government in developing a national strategic perspective on issues such as Information and Communications Technology that cross organisational and sectoral boundaries and are fundamental to achieving our longer term reform objectives.

In bringing forward our ideas we also recognise that these have significant implications for staff within the public sector and for the private sector companies that supply many of our services and systems. The consultation process will allow us to engage with all stakeholders and further refine our plans so that we can bring forward a final national strategy that will command the widest range of support. This is only the start of the process of engagement however, which we will continue as we move from planning into implementation.

I have been hugely encouraged with the appetite and enthusiasm for reform in my discussions with staff and leaders across the public sector over the last 12 months. I believe there is now a momentum behind change in how we run our public services in Scotland that will truly lead to the delivery of world class public services for the people of Scotland. Our shared services strategy will play a key role in this and I look forward to engaging in the discussion over the coming months.

TOM McCABE, MSP

Minister for Finance and Public Service Reform

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PART 1: AN INTRODUCTION TO SHARED SERVICES

Shared Services Strategy – part of the wider public service reform agenda

1. The delivery of high quality, user focussed and innovative public services in Scotland has been a key priority for the Scottish Executive since the creation of the Scottish Parliament in 1999. A significant and sustained increase in resources has been invested in the Scottish Public Sector to this end (average 8% increase per annum between 1999/2000 to 2003/04¹).
2. In parallel with this period of unprecedented investment in our public services, Scottish Ministers have also focussed on public service reform to ensure that the services received by the public are joined up, accountable and delivered in the most efficient and effective manner. Our overall vision for public service reform has five fundamental elements that will underpin and support the modernisation of the public sector; namely that transformed public services will:
 - i. be **user focussed and personalised**, organised around users and citizen needs and aspirations, not the convenience of the service provider;
 - ii. drive up **quality and encourage innovation**
 - iii. continue to **improve efficiency and productivity**
 - iv. be **joined up** and minimise separation;
 - v. ensure **strong accountability**.
3. We have already initiated a number of complementary work streams in support of our reform objectives, including the Efficient Government Initiative, the McClelland review of Public Procurement in Scotland, the Integrated Services and Governance Modelling Project, Review of Local Government Finance, Best Value framework, Modernising Government and our e-Care and Customer First programmes. This Shared Services Strategy has been developed as part of the Efficient Government Initiative but interlinks with these other initiatives and is a key component in our reform agenda. It aims to provide a vision for 2015 and a framework for strategic action to deliver this and has the following key objectives:
 - i. identify and realise opportunities for efficiency savings and service improvements to be gained through the adoption of shared service initiatives, thus freeing resources for investment in front line services;
 - ii. promote the development of shared services, processes and systems that are resilient to changes in service delivery structures and boundaries and better able to meet the needs of joined up public services;
 - iii. build on the standards and infrastructure being put in place through the Modernising Government, Customer First and e-Care initiatives and ideas developed through the Efficient Government Fund.

4. Shared Services is one of the five workstreams within the Building a Better Scotland – Efficient Government Plan and is a key driver for the delivery of the 2010 efficiency targets set out in the plan. In the context of this strategy the opportunities for shared services fall into two main areas:
- i. Support functions such as Accounting, Payroll, Procurement, Human Resources, Facilities, Information and Communications Technology (ICT). which all organisations need to support their core business and which are delivered to customers within the organisation, rather than to the public.
 - ii. The common operational processes and systems that underpin front line services and which are duplicated across multiple organisations.

Shared services – a mainstream business concept

5. As with many business management ideas, the early adopters of shared services were large corporations in the United States in the 1980s. By the end of the 1990s, the concept had become an accepted mainstream approach for improving organisational efficiency and continues to grow in popularity. It is now increasingly being adopted in the public sector in the United States, Canada, Australia and New Zealand, as well as the UK.
6. The growth of shared services within the public sector is highlighted by an Accenture 2005 survey² of senior government executives in Europe, North America, Asia Pacific and Africa which found that 85% of

those interviewed believed that shared services are playing, or will play, a role in supporting their organisation's strategic goals. In addition, 66% said they had already implemented, or were in the process of implementing shared services. Only 6% said they would not consider a shared services model.

Why adopt shared services?

7. Organisations and governments have adopted a shared services model because it is a proven way of delivering more efficient and customer focussed support services. There is now a significant body of evidence from both the public and private sector around the world to support this, a sample of which is included in Annex A.
8. The results of three recent independent surveys of organisations with shared services operations identified average net cash savings of 14%³, 15%⁴ and 30%⁵ respectively with some organisations achieving up to 60%⁶. These savings are broadly derived from three main areas:

- i. Process re-engineering
Removing duplication and non-value-added activities and re-designing simpler, faster and more robust processes which require fewer staff to operate. Frequently linked to the introduction of new technology.
- ii. Standardisation
Adopting the defined best process within the business units of an organisation, or across a number of different organisations

allows all to achieve re-engineering savings, as well as providing further savings from joint procurement of ICT underpinning new process/es and shared staff training in new process/es.

iii. Consolidation

Bringing together some or all aspects of the service delivery within a single entity to meet the needs of all business units or partner organisations maximises economies of scale allowing further reductions in staff numbers and associated costs (accommodation, workstations, etc.). Single instance of ICT infrastructure reduces procurement and operational costs.

9. From a Scottish perspective, it is estimated that public sector organisations spend between 5% and 15% of their operational budgets on support services. This is equivalent to an annual cash spend of between £1.2bn-£3.7bn, based on the 2006-07 Departmental Expenditure Limits of £24.6bn. If the average savings level of 20% from the three surveys highlighted above was applied to these figures, this would give a potential level of savings from shared support services of between £250m and £750m across the whole of the Scottish Public Sector, equivalent to between 1% and 3% of total operational costs. While these figures are for illustrative purposes only, they highlight the significant scope for efficiency savings to be realised within support service areas.

10. In addition to these direct financial benefits there are a range of other significant benefits including:

BENEFIT	DESCRIPTION
Clear focus on the customer	In shared service organisations the provision of support services is the prime function and the status of these services is elevated to the “front line”. This supports the development of a culture of delivering high quality, efficient, customer focussed services that is harder to create in a “back office” function in a larger organisation. The best shared service providers have cost and quality performance monitoring, benchmarking and continuous improvement arrangements in place to ensure that they are delivering high levels of customer satisfaction.
Management information	Shared services are underpinned by modern, standardised systems which allow the effective and timely aggregation and reporting of financial, staffing and other data across individual business units and organisations. This will facilitate more informed decision making by staff and managers within customer organisations, impacting on the quality of services provided to the public. Information will be more easily aggregated across organisations supporting more effective central policy making.

BENEFIT	DESCRIPTION
More adaptable to change	Part of our debate on public service reform relates to identifying the most appropriate structures for the delivery of joined up public services. Whatever models emerge in the future, it does not make sense to set up and close down individual support services each time an organisation is created, merged, or broken up. Shared services would allow organisations to plug in or out as and when required and support the development of a more flexible and adaptable public sector.
Staff development	Shared services, when done well, can establish a culture of excellence in the provision of support services. They can focus on staff development to give staff the skills they need to deliver excellent support services. Clear and transparent career paths will be available to staff from entry level up to chief executive, with larger scale organisations providing greater career development opportunities.
Sharing of scarce expertise	The scale of shared services can allow for the recruitment and retention of scarce specialist expertise, which can be widely shared across customers. This may be particularly beneficial for smaller and or/rural organisations who would not otherwise have cost effective access to this type of expertise.

The most popular areas for shared services

11. The table opposite shows a summary of the results of separate surveys into the most common areas included in shared service arrangements in the public⁵ and private⁶ sectors. While the order of the top six areas is slightly different, the same areas are included in both lists, indicating little difference in the applicability of the shared services model to support services between the public and private sectors.

Public Sector top 6		Private Sector top 6	
Information Technology	73%	Human Resources	87%
Finance	58%	Information Technology	85%
Human Resources	56%	Finance	77%
Procurement	55%	Procurement	61%
Property/Facilities Management	53%	Office Services	54%
Legal	43%	Legal	53%

12. Within Scotland, public sector shared service arrangements are becoming more common as organisations become aware of the benefits that can be delivered. A number of organisations have implemented, or are in the process of implementing national shared support service arrangements including Scottish Enterprise and NHSScotland. Large organisation such as Glasgow City Council, the City of Edinburgh Council and the Scottish Executive itself have implemented, or are in the process of implementing, internal shared support service arrangements for functions that were previously distributed across operating units or departments.
13. Examples of wider shared transactional services can also be found, with the Scottish Public Pensions Agency providing pensions administration and payroll services on a national basis for retired teachers and NHS staff and the NHS in Scotland moving towards a single shared Payroll Service for all staff. The City of Edinburgh Council and South Lanarkshire Council provide payroll services to their local Police and Fire boards, with the later also recently agreeing to provide a payroll service to a neighbouring council.
- Sharing goes beyond corporate support functions**
14. Corporate support functions are the most popular areas for shared services initiatives and given the body of evidence highlighting the benefits that can be gained from sharing in these areas, they will be a key area of focus for the Shared Services Strategy. However, we recognise that the benefits of sharing are not restricted to these support functions and the strategy aims to promote sharing across a wider range of efficiency initiatives.
15. In the Higher Education sector, Scottish universities already participate in a number of well established national shared service arrangements such as the UCAS student admissions process and the SuperJanet ICT network.
16. The Customer First programme run by the Local Government Improvement Service is developing the national citizens account, authentication protocol and property gazetteer which will all operate on a shared basis. Similarly, the systems underpinning the operation of the national concessionary travel application on the Local Authorities Citizen's Smart Card, will be run on a national shared services basis, as has procurement and production of the cards themselves.
17. A number of Efficient Government Fund bids proposed the development of common processes or systems which support specific front line service areas, ranging from Social Care to Transport. This is a clear recognition by the bidders that their organisations deliver the same range of services to local populations and that standardisation around a good model for service delivery can offer significant opportunities for improvement in efficiency and service quality. While the EGF

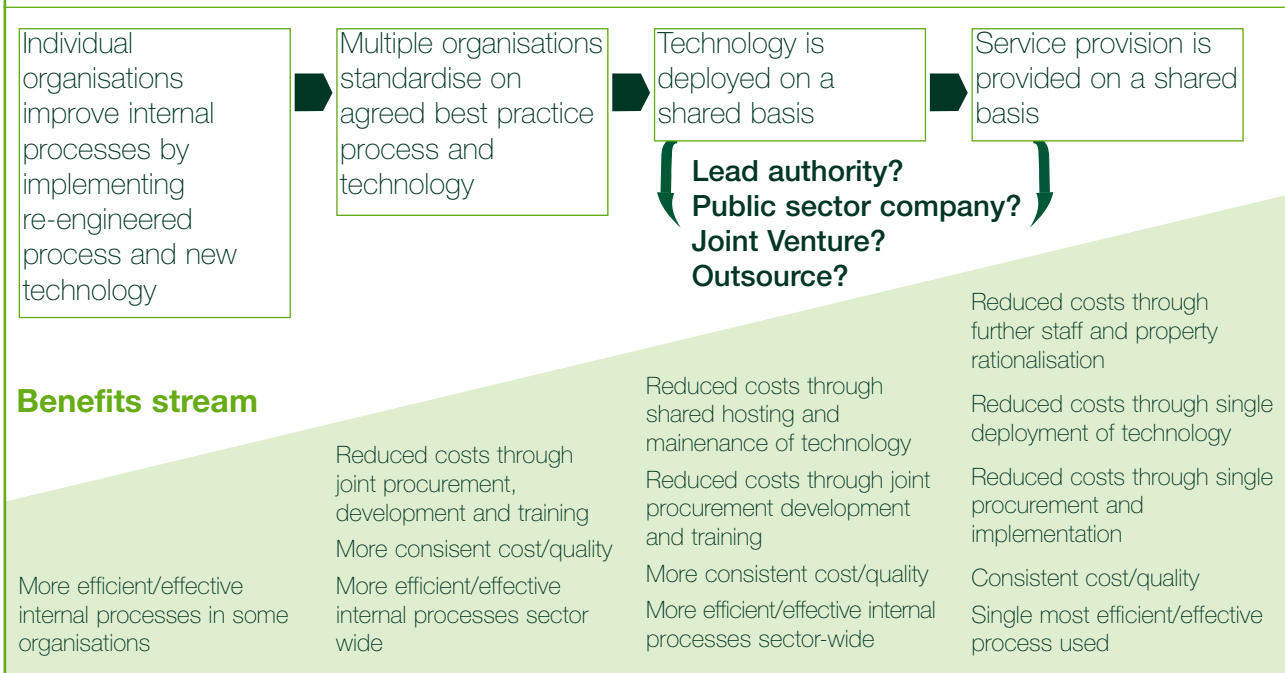
bids received by us cover some of these opportunities, there are many more examples where essentially the same services are delivered locally using a variety of different processes and systems within the Local Government, Health, Higher and Further Education, Police, Fire and Rescue sectors.

18. In the specific area of Local Authority Revenues and Benefits services, the Audit Commission published a report in November of 2005⁷, which highlighted opportunities for service improvements and efficiency savings of 5% or £150m in England, with shared services and partnership approaches offering the most potential for delivering savings. With the cost of Council Tax collection per household ranging from £8.86 (average top quartile) to £24.20 (average bottom quartile) across Scottish Councils in 2004/05⁸, there is clearly scope for efficiency improvements in Scotland in this area.
19. One of the examples of sharing given in the Audit Commission report was the Anglia Revenues and Benefits Partnership, where the first phase of this shared service implementation between two district councils reduced average times to process benefits claims from three months to one, at the same time as delivering 6% efficiency savings, with further savings anticipated in later phases through full staff integration. While there is some limited shared service arrangements for revenues collection in Scotland, with the City of Edinburgh Council undertaking Non Domestic Rates administration for Midlothian Council, such arrangements are the exception, rather than the rule. A number of Efficient Government Fund bids have been submitted for shared revenues collection initiatives which indicates that Scottish Councils recognise the potential benefits of a shared approach in this area.
20. The potential benefits from adopting standard processes across a sector has been recognised by the Association of Chief Police Officers in Scotland (ACPOS) which recently endorsed a programme to investigate the development of common, best practice operational support systems for policing in Scotland.
21. We have also had recent discussions with the Convention of Scottish Local Authorities in Scotland (COSLA) and the Society of Local Authority Chief Executives (SOLACE) Scotland on a similar theme of process standardisation and transformation within the Local Authority sector. This would build on the work that has already underway by groups of Councils in the areas of Social Work and Education administrative support systems, the Customer First programme's Citizens Account/Customer Relationship Management (CRM) workstream, and the ideas and initiatives brought forward by Councils in bids to the Efficient Government Fund.

22. While organisations can collectively improve efficiency and service quality by developing a common best practice process which each then implements, technology developments are supporting further shared efficiency opportunities by allowing common, web-based systems to be deployed, hosted and maintained by a single organisation on behalf of groups of users. This in turn will support the data sharing developments being taken forward by the e-Care and Customer First initiatives by reducing the number of system interfaces required.
23. The savings achieved by adopting a shared approach in these areas would be in addition to the £250m to £750m potential savings from shared corporate support functions highlighted in paragraph 9. While we recognise that the potential for consolidation of staff directly involved in the local delivery of front line services in different organisations is limited in comparison to corporate support functions, the benefits achieved by process re-engineering and standardisation should be equally applicable in these areas.
24. The potential for integration across public sector organisations in areas such as Health and Social Care and Criminal Justice is central to the wider debate on Public Service Reform and is being explored by the Integrated Service Delivery and Governance Modelling Project. The Shared Services Strategy supports this wider reform agenda by seeking to put in place common support services and processes which are more independent from the structures of front line services and better able to adapt to any future changes in these arrangements.
25. We recognise the need to ensure that the elements of the strategy that relate to process standardisation in front line services take account of the direction of the debate on public service reform and integration, in order that any new processes reflect and support emerging joined up service delivery arrangements. There are already good examples of where this has been done in areas such as the single shared assessment processes that have been developed as part of the Joint Future work with Health and Social Care.

The steps to shared services

26. Much of the evidence and examples of shared services initiatives gathered as part of the preparation for this strategy is based on the creation of shared service centres, operated on behalf of multiple business units or organisations. Many organisations have chosen this approach because it maximises the potential for efficiency improvements, but it represents one end of a path to sharing, which has a number of stages within it, each of which can deliver valuable efficiency improvements. This is highlighted in figure 1 below.

Fig 1: Options for sharing

27. A number of the most significant challenges to shared services will relate to the final step on this path due to the requirement to take difficult decisions on staffing reductions across organisations, service location and the operational model for the shared service organisation. The rate of progress along this path and the agreed end point for an initiative needs therefore to reflect the perceived balance of risk and benefits within the participating organisations, the relationships between their leaders and key managers and the ability of their organisational cultures to support the required changes.

28. In some circumstances an effective first step could be to focus on the development of an acceptable good practice process/system

which could form the standard for adoption across a particular sector or sectors. This would allow the benefits of process simplification and standardisation to be realised while helping to build the relationships, trust and organisational cultures and change management structures needed to support more challenging future transformation.

29. If, however, there is clear consensus for the adoption of a full shared service model from the start, then this should be seen as the preferred way forward as it will maximise the potential for efficiency savings which can be re-invested in front line services by the participating organisations.

- **Are we right to widen our view of shared services from the more traditional internal support functions to the processes and systems that underpin our front line services?**
- **Are there opportunities for sharing in other functions and service areas that we have not identified?**
- **What other examples are there of shared service good practice in Scotland?**
- **Are there other options for sharing that we have not identified in Figure 1?**

Implementing shared services is not an easy option

30. It is clear from the information gathered in preparation of this strategy that achieving the significant potential efficiency gains from sharing highlighted in paragraph 9 will be neither simple or quick. This is reflected in a recent survey by AT Kearney³ in the US which identified that only 67% of organisations achieved the level of benefits set out in their business case with the top five challenges encountered being:
- i. Fundamental lack of awareness/skills in managing change to shared services
 - ii. Lack of clear leadership support/commitment to change
 - iii. Maintaining or improving services levels/meeting user expectations
 - iv. Establishing an effective governance structure
 - v. Lack of cooperation between government departments/difficulty building consensus.
31. This is not surprising, since the adoption of shared services represents a radical transformation in the approach to service delivery which will have a major impact on the jobs and working practices of many managers and staff. **We do not underestimate the extent of leadership and change management expertise that will be needed to achieve such a transformation.**
32. Early and continuous communications with staff and engagement with their trade union representatives was a central element in the successful Western Australia whole of government shared service program, which included significant job reductions and has a target for annual recurring net savings of A\$55m. In addition, a significant commitment was made to the training and development of the staff transferring to the new shared service centres to ensure they had the skills and support needed to operate effectively in their new working environment.
33. The extent of the change management input, linked to the requirements for process re-design, new technology and office re-configuration, mean that shared services initiatives require substantial financial investment, with the savings taking a number of years to be realised. The evidence gathered would indicate that a typical timescale is 1-2 years for project

implementation and a further 2-3 years for full benefits realisation.

34. Using the examples of the Western Australia shared service programme, our own NHSScotland shared financial services project, and the Royal Bank of Scotland's Finance shared service⁷, we can calculate an average ratio of upfront investment to net annual return of around 2:1. Assuming the current Efficient Government Fund of £60m was invested on a similar basis, this would achieve a net annual savings figure of £30m. Achieving the notional £750m saving noted earlier in paragraph 9 would require an investment of £1.5bn. A major element of this expenditure will be technology related, but in the context of the significant annual spend on ICT in the Scottish public sector, which one recent industry estimate indicates could be as high as £820m⁹, it would be reasonable to assume that a proportion of this could be used for shared initiatives.
35. Clearly the actual amount of investment required and returns achieved will vary considerably between projects, but this simple calculation does illustrate the order of magnitude of investment that would be required for the widespread adoption of shared services initiatives. It is essential therefore that any proposed shared services initiatives are underpinned by robust business cases and options appraisal which ensures that the opportunities to build on any existing investments in processes and infrastructure that are capable of supporting larger scale shared services are fully explored. It is equally essential that clear baseline measures for service cost and quality measures are established as part of the business case,

against which to measure progress on benefits realisation.

36. It is also important that we do not repeat the mistakes of the past and recreate large centralised support organisations that seek to dictate service levels rather than respond to the needs of their users. The best of current shared service operations view meeting customer needs in the most efficient way possible as their core objective and have governance, service level agreements, performance monitoring, benchmarking and continuous improvement arrangements in place that help achieve this.

- **What do you see as the major risks associated with shared services?**
- **What can we do to overcome these risks?**
- **How do we best provide the investment funding required to implement initiatives?**
- **How do we best respond to the concerns of staff over changes to jobs?**

Scotland is in a strong position to gain from shared services

37. The challenges to implementing shared services covered in the preceding paragraphs are common to all organisations and governments, but we believe that Scotland has some advantages over early adopters and larger governmental jurisdictions. The number of organisations and stakeholders involved within the Scottish Public Sector is of a manageable scale (as

summarised in Annex B) and there are a number of well developed networks which are helping to build the strong personal relationships between senior figures which will be essential to taking this agenda forward. Already we have seen the NHS in Scotland introduce a programme for the roll out of shared arrangements for financial, payroll and procurement services across the 15 Scottish Health Boards and we have highlighted a number of the other shared initiatives that are underway across Scotland. This is an encouraging starting point and should act as a catalyst for the consideration of similar arrangements across the wider public sector in Scotland.

38. In addition to the benefits of scale, Scotland is also well placed to take advantage of the learning curve on shared services. As this is now a mainstream approach to business improvement on a worldwide basis, there are a number of major suppliers of integrated software systems which have been designed to support efficient shared services and have benefited from continuous development and enhancement over the last decade. There has also been significant developments in computer network and communications technology which support the effective delivery of shared services from widely separated geographic locations.
39. Linked to these technological developments is a growing range of accumulated expertise and knowledge in the implementation and management of process transformation and shared services. This includes experienced individuals from within our own innovative public sector organisations and consultancies, systems integration

companies, software vendors and shared service operators. As an example of this, the Royal Bank of Scotland, which operates one of the most highly respected Human Resources shared services operations in the world¹⁰ from Manchester, and a more recently created Finance shared service centre in Edinburgh, has been providing support to our Shared Services Sub Group. The Government of Western Australia has also been providing the Executive with detailed information on their shared support services implementation.

40. In conclusion, given the developments already underway in Scotland, the extent of the evidence on the benefits of shared services and the availability of expertise and support to help overcome the challenges that will be faced in implementation, there is a clear case for the promotion of shared services and processes on a national basis. The development of a national strategy to co-ordinate action across the public sector is an important first step. The next section considers what might be achieved by an co-ordinated movement towards shared services adoption within the Scottish Public Sector and what actions are needed to support such a move.

- **Have we made an effective case for developing a national shared service strategy for the public sector?**
- **What could we do to strengthen the case?**
- **What can we do to maximise support for the strategy?**

PART 2: DELIVERING SHARED SERVICES IN SCOTLAND

A vision for shared services in Scotland

41. What might the Scottish Public Sector look like in 2015 if we have managed to promote and implement a wide range of shared services and related initiatives?

42. To help answer this question, a Shared Services Advisory Group was set up as a sub group of the Efficient Government Steering Group. This sub group has representatives from across the public sector including NHSScotland, COSLA, SOLACE, the Improvement Service, Executive Agencies, Non Departmental Public Bodies (NDPBs), and Higher Education.

43. A visioning exercise was carried out by the sub group and the output of this has been collated with information from other sources to create a picture of what might be achievable within Scotland by 2015, with the right combination of leadership, resources and partnership working. The key elements of that picture are summarised below, which offer a stimulus to debate on the scale of our ambition, not as a formal set of objectives:

i. Public sector organisations in Scotland receive their common business support services from one of a small number of highly professional, customer focussed, national and/or regional shared service operations. Continuous benchmarking and service improvement by these shared services operations has resulted in Scotland being widely regarded as a leader in the field of public sector shared support services;

- ii. Many of the core processes underpinning the common services delivered locally by Councils, Health Boards, Higher and Further Education, Police Forces and Fire Brigades have been standardised and the computer systems used to run these processes are deployed on a national, or regional, shared service basis. As well as delivering efficiency improvements, the quality and consistency of services delivered to the public across the country has increased;
- iii. The collection of local taxes and payments of housing benefits is the responsibility of a single, national organisation, operating on behalf of Scottish Local Authorities;
- iv. Community Planning partnerships have provided the forum for bringing forward local shared service initiatives which much progress on the use and maintenance of property assets and vehicles. The sharing of public buildings between organisations is now the norm, and shared facilities management, vehicle maintenance and internal transport arrangements are in place in all community planning partnership areas. Surplus public sector property assets are reducing year on year;
- v. A shared national public sector ICT infrastructure is in place, which allows staff to log on in a variety of locations and access their email, desktop and web based service applications. The removal of the IT barrier to co-location has greatly accelerated the joining up of public service delivery, and has facilitated the introduction of flexible working arrangements for staff which are reducing the need to commute long distances to work every day.

44. Ambitious? Certainly. Challenging? Without doubt. But achievable? We think so. This is not a blueprint, but the technology and expertise to move towards such an outcome is available now and will only get better over the next decade. If we add the leadership, motivation and willingness to work in partnership and share our resources, there is no reason why we cannot achieve these, or other equally ambitious outcomes.

- **What should the long-term aspirations be for the shared service strategy?**

Building the foundation for delivery

45. The timeframe for the implementation of this strategy is a period of 10 years, covering 2006/15. This reflects the timescales needed to implement and deliver benefits from shared services initiatives and recognises that many of the developments will be incremental. Major transformation of the type reflected in our vision cannot be delivered overnight.
46. The drive for efficiency savings to support front line service improvements will be a constant during this period, but we recognise that the significant decisions that will need to be taken to achieve our vision will take place during periods of political change and wider public service reform. The period of focus for the first phase of this strategy is therefore the next three years, although many of the projects activities started during this period will continue well beyond this timeframe.
47. A range of proposed actions are set out in the sections below which are aimed at laying the foundation for the longer term and comprehensive implementation of shared

services across the public sector in Scotland. This includes the creation of governance arrangements which will allow the strategy itself to be monitored, reviewed and developed on an ongoing basis, with ownership and responsibilities appropriately assigned.

Guiding principles

48. The development and implementation of this strategy will be guided by the following principles. These have been drawn together from discussion with stakeholders and research into best practice adopted elsewhere in the public and private sector:
- i. Public sector managers and staff have an obligation to citizens to ensure that public services are delivered in the most efficient and effective manner possible;
 - ii. There must be strong and consistent leadership and commitment from politicians and senior management in support of the shared services strategy;
 - iii. There are no predetermined or favoured operating models for shared services and the Scottish Executive will encourage consideration of the range of public, private, or public/private models of delivery as part of the options appraisal process. The aim is to achieve a Best Value outcome;
 - iv. Shared services will play an important role in improving the efficiency and effectiveness of the public services, but sharing is not an objective in its own right – the test is whether it creates benefits in

terms of the cost and quality of the services provided;

- v. The decision to share must be for each body concerned, but there should be a presumption against any new investment in standalone systems for support functions and processes where a shared approach offers a more cost effective solution;
- vi. The statutory status of some organisations is not an inhibition to participating in a shared services arrangement;
- vii. A robust business case must be prepared for proposed shared service initiatives which sets out accurate costs and benefits and identifies the levels of efficiency savings and other benefits that the project will deliver;
- viii. Opportunities to build on existing investments and capacity (technology and skills) should be considered as part of the business case options appraisal process, where these are suitable for expansion to a wider range of users;
- ix. Accurate baseline measures for cost and service quality must be collected as part of the business case development, and where a project goes forward, benefits realisation should be measured and reported against these baselines;
- x. Effective governance arrangements must be in place which give the customers of shared services a clearly defined role in the specification and development of the services provided;
- xi. Change management arrangements must be well planned and resourced and an emphasis placed on building public sector skills and capacity to ensure that the business case benefits are achieved;
- xii. Best employment practice should be used in handling staffing reductions, with an important aim being the retention of key skills and a presumption against compulsory redundancy in favour of natural wastage, supported retraining and redeployment;
- xiii. Open and transparent communications with staff and their representatives must be in place throughout the development and implementation of the strategy;
- xiv. Systems procured must be scaleable and contracts allow for the addition of new users at a later date and provide for the transferability of software licences across public sector users;
- xv. Interoperability requirements should be identified at the beginning of the procurement process for ICT systems. A preference can be expressed for the Openscotland Information Age Framework (OSIAF) as the Scottish public sector's adopted standard for interoperability, but alternative evidence of a system's capacity for interoperability must be considered where the solution is non-OSIAF compliant;

- xvi. There will be a presumption in favour of implementing software applications in standard form, with customisation avoided as far as possible;
- xvii. In any move to a shared service centre, location decisions should be determined openly, with no unnecessary concentration in any one area;
- xviii. Shared services should be managed through appropriate contracts or service level agreements which clearly specify the required cost/price and quality performance indicators, together with the responsibilities of the partners involved;
- xix. Independent Gateway reviews or equivalent should be undertaken for all significant shared services projects;
- xx. The Shared Service operation must focus on measuring and achieving its key service performance indicators and the development of its staff to achieve a continuous improvement culture;

- **Have we got these guiding principles right?**

The service areas to focus on

49. The Strategy will focus on two main groupings of processes/services. The first area will be those support services highlighted in Part 1 of this document which are most frequently shared and which are common across most organisations in the public sector. This will reduce the risks

associated with project implementation by taking advantage of the accumulated knowledge and expertise referred to in Part 1 of this document. These areas, together with some of the functions that could be included are shown in the table below:

Service Area	Functions could include
Finance	General Ledger, Payments and Receivables, Reporting, Treasury
Human Resources	Recruitment, Training, Workforce planning, Staff records, Travel & Expenses, Payroll, Occupational Health, Health and Safety
Procurement	Strategic Sourcing, Contract Management, e-procurement
Information and Communications Technology	Network and desktop services, Telecoms, Data storage, Systems hosting, Document Imaging
Facilities	Estates Management, Building services, Logistics, Records Management, Fleet maintenance, Internal transport
Professional Services	Legal Services, Internal Audit, Graphic Design

50. In addition to these internally focussed support services, we also wish to focus on those processes and systems that underpin front line services in areas where they are replicated across a number of organisations. The aim is to move towards fewer, standardised processes and systems which lend themselves to shared service arrangements. These include:

Service Area	Functions could include
Revenues and Benefits	Non Domestic Rates, Council Tax, Benefits administration
Operational Support Systems/processes	Social Care administration/client management, Criminal Justice, Education administration, Housing administration, Transport/highways maintenance/management, Police Operational Systems, Fire Operational Systems, Customer Contact/CRM, Payments systems, Corporate performance management/reporting , Grants and funding administration, Tribunal administration

51. While these areas will be our focus in the initial stages of the strategy, this should not inhibit organisations considering other areas for sharing that are relevant to their own needs and which are capable of delivering efficiency savings and service improvements. The strategy will be reviewed on an ongoing basis providing opportunities for these areas to be amended as appropriate.

- **Are these the most appropriate areas for shared services?**
- **Are there other areas should we be considering?**
- **What methods could we use to help select and prioritise the potential areas for shared services?**

Communities of interest

52. For the purposes of this strategy, we have made use of the existing groupings within the Scottish Public Sector. These are shown in the table below with their actual or proposed representative bodies.

Community	Representative Body
Health	Scottish Executive Health Department and National Services Scotland
Local Government (including Valuation Joint boards)	Convention of Scottish Local Authorities (CoSLA) & Society of Local Authority Chief Executives (SOLACE) Scotland, Improvement Service, Scottish Assessors Association.
Police and Fire	Scottish Executive Justice Department and its Agencies supported by the Association of Chief Police Officers Scotland (ACPOS), Chief Fire Officers' Association and CoSLA
Scottish Executive, Agencies and Non-Departmental Public Bodies (NDPBs)	Scottish Executive Management Group, Agency and NDPB Chief Executives' Forums
Higher Education Institutions and Further Education Colleges	Scottish Funding Councils supported by Universities Scotland and the Association of Scottish Colleges

53. Part 1 of this document highlighted the shared services and process standardisation activities that are already underway within these communities, reflecting the natural tendency of organisations within these communities to work together. The strategy will support and encourage further inter-community shared services arrangements, which can take advantage of the existing relationships, common language and similarities in the service culture, processes, staff terms and conditions and shared experiences of the organisations within these sectors.
54. This is also a practical recognition of the different starting points for each community and the fact that many of the major administrative/operational support processes are sector specific and therefore not applicable for cross community arrangements. In the short term therefore, the strategy will seek to move the different communities towards a similar level of activity, implementation and understanding of shared services. The longer-term objective however, is to move towards support service functions that are sector independent and which will provide a fully flexible business support infrastructure capable of meeting the needs of a wide range of potential front line service configurations. We believe that the proposed phased approach is a practical route to achieve this aim, while allowing early financial benefits to be achieved.

- **Are these the correct communities of interest to focus on?**
- **Are there other more appropriate ways of grouping organisations?**
- **Where should the voluntary sector and the mixed economy fit in?**

55. The existing initiatives that already underway within the different communities are summarised below, together with a number of new initiatives which we wish to see taken forward. In addition to these sector-based initiatives, we have also identified a number of important national, cross-sector opportunities which merit immediate attention and which will support moves towards a more joined up public sector at a national and local level. A summary of these initiatives is given below.

National cross-sector initiatives

Public Sector ICT Infrastructure

56. We believe that the current fragmented arrangements for ICT infrastructure across and within the different parts of the public sector in Scotland is a barrier to more joined up public services and the effective sharing of public sector office accommodation. It will also be a barrier to the adoption of many of the shared services and process standardisation options promoted by this strategy. The development of more common platforms for core public sector ICT infrastructure (networks, desktop, email,

servers, data storage, etc.) and protocols and standards to facilitate linkages would underpin the development of more integrated, flexible and adaptable public services, as well as offering efficiency savings in ICT procurement and operation.

57. To address this issue we propose the creation of a national Public Sector ICT Steering Group for Scotland to provide overall strategic leadership for ICT in relation to our long-term objectives, our infrastructure requirements and the data-sharing standards and protocols needed to ensure joined-up and efficient and effective public services. Such a group would provide a framework within which the issues and opportunities highlighted above could be effectively considered and recommendations for implementation brought forward.

- **What role does ICT have in promoting our public service reform objectives?**
- **Would the creation of a national strategic body to consider public sector ICT in Scotland help in achieving a more joined up and efficient public services?**
- **What should the role of such a body be?**
- **Where should the membership of such a body be drawn from?**

Procurement

58. The Scottish Executive commissioned the McClelland Review to identify opportunities to improve public sector procurement. The report on the outcome of this review highlights significant opportunities for improvement through a shared approach and recommends the adoption of professional procurement methodologies and the creation of procurement centres of expertise within each major community of interest. The review also identifies three types of commodities which it recommends are best procured on a shared basis at a national cross sectoral, national inter-sectoral, and local/regional level. We will support the creation of appropriate national, regional and local community planning level procurement arrangements.

- **How can we best link-in proposals from the McClelland Review with our shared services strategy?**

Asset Management

59. Better utilisation of the property assets owned by the Scottish Public Sector was identified as a key area for efficiency savings and capital receipts in the Efficient Government Plan. It has been estimated that there is £1.5bn of non-operational property assets held in the local authority sector alone.

60. Community Planning Partnerships have a key role to play in the development of shared approaches to the use of local assets, particularly in relation to property (land, offices, depots, etc.) and vehicles. Good examples of innovative multi-agency shared office facilities can be found in initiatives such as Strathbrock in West Lothian and the Torry Centre – Aberdeen. The Aberdeen Property Asset Management group which involves all the major public agencies in the Aberdeen area is a good example of a mechanism to encourage and support property sharing initiatives. We will engage with Asset Management professionals across the different communities to learn from good practice on the ground and identify opportunities for improvements in cross sectoral asset management arrangements at a local and national level.

- **What more can be done to promote better asset management and the sharing of assets across the public sector?**
- **Is this a subject that is best tackled at a local level or are there national aspects that need to be addressed?**

Social Care and Child Protection

61. There has been a long term move towards an integration of the Social Care services provided by Councils and NHS Boards and for the effective sharing of data on vulnerable children between Education, Social Work, Police and Health. The selection of common standards, processes and operational

systems and the shared deployment of these will play a key part in these developments and we will support initiatives with this aim.

Criminal Justice

62. As with Social Care and Child Protection, there are a number of developments underway to improve the links between the various Public Sector players in the Criminal Justice field, with opportunities for efficiencies and service improvements through the development of common standards and shared processes and systems. We will support initiatives that will take advantage of such opportunities.

Rural and Island Communities

63. We recognise that the geography, proximity and scale of key public service providers within rural and island communities and the impact of public service employment on the local economy all support closer working between sectors in these areas. Local Community Planning Partnerships in these areas will play a central role in exploring these opportunities and this is reflected in the Efficient Government Fund Bids from Orkney, Shetland, Western Isles and Highlands and Islands Enterprise. We will support the development of distinct shared arrangements for these communities where the business case demonstrates this to be the most appropriate way forward.

- **Are there other important cross-sector areas that should be considered for shared service options?**

Sector based initiatives

Health Sector

64. NHSScotland is currently implementing or planning to implement the following range of large-scale national shared services projects.

Initiative	Status
National Finance Service	Shared Financial service for all Scottish Health Boards currently being implemented.
National Procurement	National Strategic Procurement body set-up providing strategic sourcing and contracting.
National Logistics Centre	A national logistics centre is currently under construction.
National Payroll	Currently all NHS bodies use the same payroll system, but not on a shared basis. A project is underway to move towards a common shared payroll service.
National HR	NHSScotland is implementing a single pay and grading structure for all its staff (except doctors and some managers). A project to develop a National HR service/system is being planned.
Efficient Government Bids	There are several Efficient Government bids from this sector which have to be submitted for stage 2, evaluated, and the successful projects taken forward.

Scottish Executive Departments, Agencies and Non Departmental Public Bodies (NDPBs)

65. The Scottish Executive, its Agencies and NDPBs are undertaking a mix of preparatory exercises and specific initiatives in support of shared services.

Initiative	Status
Baselining/Benchmarking	<p>The NDPB Chief Executive's forum is undertaking a baselining/benchmarking exercises to identify the potential opportunities for shared services.</p> <p>We intend to conduct a similar exercise with Executive Agencies and Departments, to provide a database of comparable information on support services costs and quality. This will make use of and support the national Value for Money (VFM) performance measures currently under development by Audit Scotland, Audit Commission and the National Audit Office.</p> <p>The information collected will be used to inform discussions on the opportunities for shared services within this sector, and support decisions on the most appropriate way forward.</p>
Procurement	<p>The Scottish Procurement Directorate (SPD) provides services for all SE Departments and which is accessible to Agencies and NDPBs.</p> <p>The SPD also offers a shared e-procurement product (Pecos) which is available for use by any Public Sector organisation.</p>

HR	The Human Resources service of the Scottish Executive is undertaking a transformation programme to enable it to provide an effective shared service for SE Departments.
ICT	The Communication and Information Services Directorate (CISD) provides ICT services for all Scottish Executive departments and a number of Agencies and NDPB's across Scotland. It is currently developing new services and charging models to meet the needs of a wider customer base.
"On the Ground" programme	This programme is being taken forward by the Environment and Rural Affairs Department and its associated Agencies and NDPB's to identify opportunities for shared office and other initiatives.
National Planning Portal	The Scottish Executive Planning group within the Development Department has brought forward an Efficient Government bid, in conjunction with Local Authorities, to create a national planning portal for Scotland.
Scottish Police Services Authority (SPSA)	The Justice Department is creating a new Scottish Police Services Authority which will bring together four existing national police agencies and create a new national Forensic Science service. These services will be provided on a shared basis to all Scottish police forces. The legislation which has been brought forward to create this new body will also allow it to develop other police shared support services.

Local Government

66. Local Government has brought forward a range of proposals through the Efficient Government Fund (EGF) challenge process. Following consultation with COSLA, SOLACE and the Improvement Service, it has been agreed that a consolidation of many of the Council bids should be undertaken to select a smaller number of strategically important projects, which could build towards national or large scale regional initiatives and which will take advantage of the Customer First national infrastructure programme where appropriate. These will not be subject to a competitive bidding process, although the need for a clear business case will remain.
67. In addition to these EGF derived subject areas, there are opportunities for efficiency savings and service improvements to be delivered through the adoption of common, best practice processes and systems underpinning front line services. Elements of these could in turn be provided on a managed shared services basis. There is already a degree of standardisation/consolidation in the systems used by individual Councils for major services such as Revenues and Benefits, Housing, Social Work and Education administration and a number of Councils are exploring opportunities for shared approaches to the operation of these.

68. We will work with COSLA, SOLACE and the Improvement Service to develop an appropriate programme and governance structure, involving a range of scaleable pathfinder projects, to demonstrate the potential opportunities within the local government sector.

Initiative	Status
Customer First	Key elements of the existing Customer First programme are examples of shared service initiatives including the Entitlement Card and National Infrastructure.
Integrated shared support services (Finance, Payroll, etc.)	One or more pathfinder projects will be taken forward to create integrated shared support service arrangements for groups of Councils.
Human Resources – Staff Recruitment	The Improvement Service will lead a project to develop a shared recruitment portal for Local Government. This will link in with a wider IS sponsored initiative to develop the profile of Local Government as a career destination.
Human Resources – Training & Development	The Improvement Service will co-ordinate one or more pathfinder projects to develop shared national training and staff development programmes for local government. This will link to a wider Improvement Service Initiative to promote effective workforce planning within the Local Government.

Procurement	A pathfinder project will be selected to develop a national centre of expertise for Local Government procurement, in keeping with the recommendations of the McClelland Review.
Revenues and Benefits	A pathfinder project will be set up to develop a scaleable shared service for Revenues and Benefits
Operational Support Systems/ processes	Pathfinder projects will be developed for the standardisation and sharing of selected processes underpinning Council services
Non consolidated Efficient Government Bids	A number of Council led efficient government bids are not subject to the consolidation process referred to above and these will be submitted, evaluated, and the successful projects taken forward.

Further and Higher Education

69. It is recognised that the independent organisations that make up the Further and Higher Education sector operate in a competitive market place and gain an increasing proportion of their revenue from commercial activities. HE and FE are included as a Public Sector community however due to the substantial element of public funding provided for undergraduate education and core research.

Initiative	Status	Initiative	Status
Scottish Higher Education Funding Council (SHEFC) consultancy exercise	<p>The SHEFC have sponsored a study of opportunities within the Higher Education sector for:</p> <ul style="list-style-type: none"> - joint purchasing of contracted-out services; - shared service approaches; and - extending existing joint and shared service arrangements. <p>The results of this study will be used to support discussion and inform decision making on taking forward shared service initiatives within the sector.</p>	National model for Police operational systems	<p>The Association of Chief Police Officers in Scotland (ACPOS) has sponsored a project to develop proposals for a national model for police operational systems, to be adopted on a phased basis across all Scottish Police authorities.</p>
Further Education	<p>It is proposed that an initiative similar to that undertaken by the SHEFC for the HE organisations is undertaken for FE organisations.</p>	Shared services in Fire boards	<p>Lothian, Fife, Central and Dumfries Dumfries & Galloway Fire & Rescue Services currently share occupational health, medical advisory, uniformed recruitment and training materials and a new project has been initiated to identify the scope for extending shared arrangements to personnel, training, health and safety, procurement, driver training and assessment and development centres.</p>
Efficient Government Bids	<p>There are several Efficient Government bids from this sector which have to be submitted for stage 2, evaluated, and the successful projects taken forward.</p>	Scottish Police Services Authority	<p>The Scottish Executive's Justice Department is creating a new Scottish Police Services Authority which will bring together four existing national police agencies and create a new national Forensic Science service. These services will be provided on a shared basis to all Scottish Police Forces. The legislation which has been brought forward to create this new body will also allow it to develop other police shared support services.</p>
		Efficient Government Bids	<p>There are several Efficient Government bids from this sector which have to be submitted for stage 2, evaluated, and the successful projects taken forward.</p>

Police and Fire

70. Several initiatives are underway with the Police and Fire sector. The creation of the new Scottish Police Services Authority will also provide a vehicle for the development of further shared service opportunities for Police Forces over time.

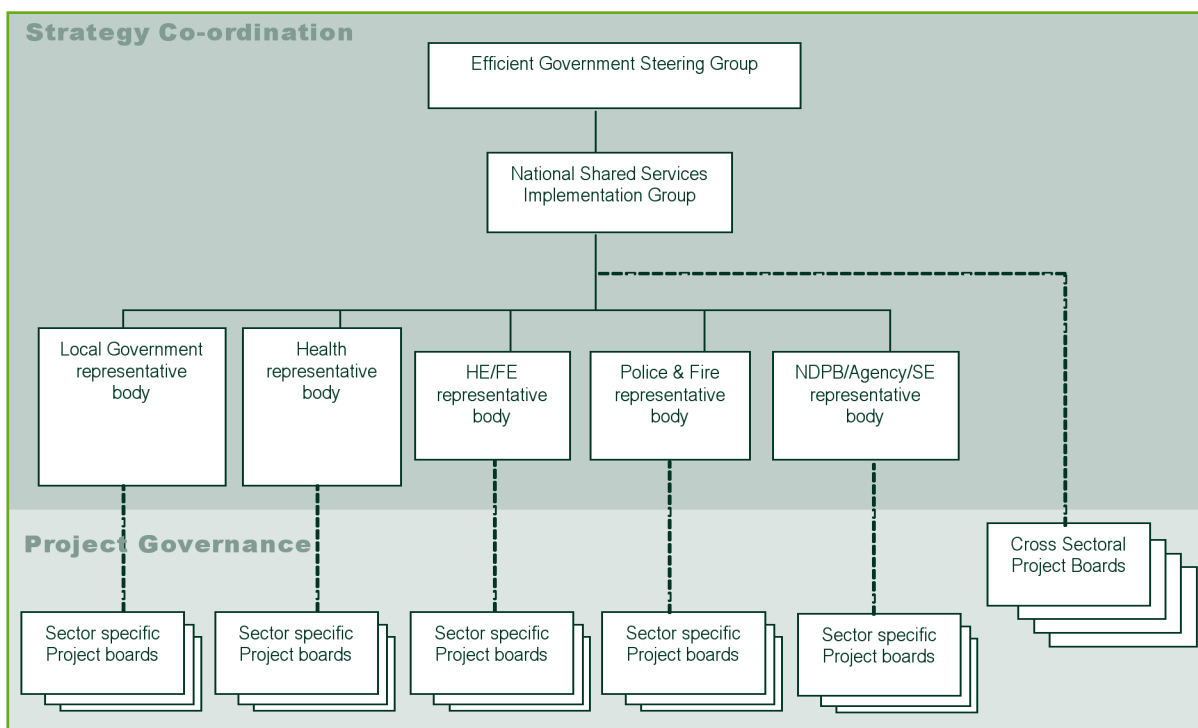
- **Are there other major shared services initiatives underway within any of the sector groupings above that we have not identified?**
- **Are there additional shared service initiatives that should be considered for these groupings?**

Co-ordination and governance arrangements

71. Effective governance arrangements must be put in place to oversee the implementation of this strategy and the specific initiatives highlighted. These must ensure high level political and managerial involvement and representation from the different sectors and stakeholder groups. They must also ensure that ownership and responsibility for the strategy and the implementation of specific initiatives is held in the most appropriate place.
72. The Efficient Government Steering Group, chaired by the Minister for Finance and Public Services, created the Shared Services Sub Group, and it is proposed that the sub group will assume ownership of the strategy and will oversee and co-ordinate its implementation, monitoring and development. Its membership will be revised to reflect this wider national

role and it will be supported by the Shared Services and Funds Unit within the Scottish Executive's Efficient Government Delivery Group.

73. We expect that each of the communities identified in paragraph 52 to put in place an appropriate "shared services co-ordination" group which can act as a co-ordination body for the shared services activities taking place within their communities. In some cases, these arrangements may already be in place, or groups exist which can assume this role. Each of these groups will be represented on the Shared Services Sub Group and the membership adjusted accordingly. These sector-based shared services groups may form the project board for specific initiatives being undertaken within their communities, or separate project boards may require to be setup for projects.
74. In addition to these sectoral-based governance arrangements, we will facilitate the creation of subject specific boards and technical design authorities where appropriate for the cross community areas referred to in paragraphs 56 to 63 above, where these are not already in place. The proposed co-ordination and governance arrangements are outlined in Fig 2 below.

Fig 2: Proposed co-ordination and governance arrangements

- **What governance and programme/project management structures do we need to put in place to ensure effective implementation of the strategy?**
- **Who should be involved in these governance arrangements?**

Financial resources

75. We have made a significant commitment to support the Efficient Government Initiative in the form of the £60m Efficient Government Fund (EGF) and the new Efficiency and Reform Fund which combines the current Modernising Government and Efficient Government funds with £20m allocated for each of the years 2006/07, and 2007/08. A significant

proportion of these funds will be used to support shared services and related activities.

76. The extent of the investment necessary to create large scale shared services arrangements was highlighted in Section 1 of this document and it is clear that the financial resources provided by us will require to be augmented by investment from other sources. This could be investment from public sector organisations existing revenue or capital budgets, prudential borrowing and/or investment from private sector partners. The majority of the substantial existing annual investment in ICT by the Scottish Public Sector highlighted in Part 1 will be focussed on projects within individual organisations, and some of this could be re-directed to support shared services and process standardisation initiatives.

- **What are the options for raising the investment needed to deliver the strategy?**
- **How should we prioritise the areas to invest in first?**
- **How can we ensure that we deliver the projected benefits from this investment?**

Change management and public sector capacity

77. The success or failure of the shared services initiatives proposed in this strategy will be dependent on effective change management and the resources made available to support it. Many public sector organisations in Scotland have implemented challenging business transformation initiatives and have staff experienced in organisational change. It is clear however from the requests for support in the development of Stage 2 bids to the Efficient Government fund that these staff are in short supply and can be difficult to release from their existing service delivery roles.
78. The use of private sector resources will play a part in addressing this problem, but priority must be given to making the best use of the expertise already within the public sector and developing and expanding the change management skills and capacity of existing staff.
79. We will engage with representatives of the public sector groupings on how this could best be taken forward but potential options could include:

- i. The development of a standard business case model for use within the Scottish Public Sector which requires change management arrangements to be fully specified and costed, and the provision of training for staff in the use of the model;
- ii. The use of Efficient Government funding for extended backfilling of posts vacated by experienced staff required to work on shared services change management and related initiatives;
- iii. The wider use of secondments within and between different public sector communities and private sector organisations;
- iv. The development of cross sector training/development programmes covering change management, partnerships working, procurement, commercial and legal arrangements for shared services;
- v. Organising regular briefing and networking events to bring together public sector staff and other involved in shared services and related initiatives;
- vi. Creating a supplier forum to provide an opportunity for the structured exchange of information and views between the private and public sectors in relation to this strategy and its implementation.

- **How can we best meet the change management challenge presented by the shared services?**
- **What can be done to increase the change management skills and capacity within the public sector?**

Staff engagement and communications

80. A consequence of the effective implementation of the shared service arrangements proposed in this strategy will be that efficiency savings are achieved in part through a reduction in the number of jobs in these areas. While there is a presumption against any compulsory redundancies and, additional job opportunities may be created by re-investing savings in priority front line service areas, staff will clearly be concerned about the implications of any shared services initiatives for their jobs and activities.
81. Early and ongoing engagement with staff and their representatives must take place for all shared service initiatives and change management arrangements must ensure that the aims and objectives of proposals and the implications for staff are communicated in a clear and transparent manner. We will actively seek the involvement of staff representatives on the governance arrangements set out above to oversee the implementation of the shared services strategy.

- **What should we do to ensure we engage effectively with staff and keep them fully updated on progress and respond to their concerns?**

Supplier engagement

82. We recognise that the proposals in this document will have an impact on the suppliers to the public sector. Clearly many of the proposals provide commercial opportunities for companies, and we wish to make best use of the available private sector expertise and resources to support the delivery of our shared services vision. In a number of areas however, the sales

environment will move from one which is characterised by sales to individual public sector organisations, to one where sales are made to groups of organisations, or to a single organisation providing shared services to a number of public bodies.

83. Equally our wish to move towards a more standardised range of systems for our common business processes which can be deployed on a hosted basis for multiple organisations, could have implications for companies product life cycles and development plans.
84. Achieving significant efficiency savings through shared services is a major objective, but we also wish to ensure that a vibrant and competitive market place is maintained. We welcome the opportunity to discuss these and other issues of interest to the supplier market during the consultation phase.

- **How can we engage effectively with suppliers to ensure that they are able and willing to supply the products and services needed to implement the strategy?**

Benchmark and baseline measures

85. The identification of accurate measures of the cost and service quality for the services and processes being considered for sharing is essential to provide both a comparison against benchmarks from which potential benefits can be assessed, and to provide a baseline against which the progress of subsequent initiatives can be measured. Any initiative which we provide financial support for will be required to have such measures in place, and we will provide support to collect

these where they are not currently available as part of the business case development process.

86. A joint national project with Audit Scotland, Audit Commission and the National Audit Office is currently underway to investigate the development of common benchmark standards for HR, Finance, Procurement, IT and Estates Management. The Cabinet Office Shared Services Team has also developed a set of benchmarks for Finance and HR services and our now working with the Audit led project to seek to develop a consistent set of measures that can be used across the UK public sector. The Scottish Executive Shared Services Team will work with these initiatives to make use of and promote any emerging national standard measures for support service functions and promote their use for benchmarking and baselining exercises in Scotland.

- **What type of measurements should we be focussing our efforts on?**

Shared Services toolkit and other Cabinet Office activities

87. At a national UK level, a Cabinet Office Shared Services team has been created to promote and support shared services initiatives and have produced an online "toolkit" (which provides a range of supporting material for all stages of shared services development and implementation (http://www.cio.gov.uk/shared_services/toolkit/index.asp) The Scottish Executive Shared Services Unit will work with the Cabinet Office to support the ongoing development and promotion of this useful online resource.
88. The Cabinet Office is also developing guidelines for a range of shared services related topics and will host a regular series of forum events, including a suppliers forum, to encourage discussion and dissemination of useful information. The Scottish Executive Shared Services Unit will attend and support these events and produce bulletins on the content of these for public sector managers in Scotland.

- **What other support would be helpful in taking forward the shared services strategy?**

Timeline for initiatives

89. An indicative timeline for the initiatives set out in this strategy is given below:

	Initiative	2006			2007	2008	2009	2010
		Q2	Q3	Q4				
	Efficient Government Delivery Group							
1	Public Consultation on Strategy	■						
2	Publish Finalised strategy		■					
3	Set up governance and co-ordination arrangements		■	■				
4	Engage with staff and trade unions		■	■	■	■	■	■
5	Engage with suppliers		■	■	■	■	■	■
6	Support change management & capacity building		■	■	■	■	■	■
7	Set up national ICT Council for Scotland		■					
8	ICT council reports on recommendations			■				
9	National ICT Pathfinder projects				■	■	■	■
10	Asset Management engagement		■	■				
11	Efficient Government Stage 2 bids analysis & awards		■	■	■			
12	Promotion of national measures for benchmarking/baselining	■	■	■	■	■	■	■
	Health Sector							
13	National Finance shared services	■	■	■	■	■		
14	National Procurement shared service	■	■	■	■	■		
15	National Logistics shared service	■	■	■	■	■		
16	National Payroll shared service				■	■		
17	National HR shared service				■	■		
18	EGF – implementation of successful bids		■	■	■	■		
	Executive, Agencies and NDPBs							
19	NDPB benchmarking & shared service options reviews	■	■					
20	Executive and Agency benchmarking & options reviews		■	■				
21	McClelland review consideration and implementation	■	■	■	■	■		
22	HR and IT services initiatives	■	■	■	■	■		
23	ERAD “on the ground” programme	■	■	■	■	■		
24	EGF – implementation of successful bids	■	■	■	■	■		
25	Scottish Police Services Authority				■	■	■	■

	Initiative	2006			2007	2008	2009	2010
		Q2	Q3	Q4				
	Local Government							
26	Staff recruitment portal							
27	Staff training and development							
28	Procurement							
29	Integrated shared support services							
30	Revenues and benefits							
31	Standardised business support systems							
32	EGF – implementation of successful bids							
	Further and Higher Education							
33	Scottish Funding Council Research – HE							
34	Scottish Funding Council Research – FE							
35	EGF – implementation of successful bids							
	Police and Fire							
36	National model for police operational systems							
37	Shared HR/Training in 4 fire brigades							
38	EGF – implementation of successful bids							

- **How realistic is this timescale?**

Building the foundations for a world class Scottish Public Sector

90. In conclusion, the activities noted above are the proposed first steps towards a shared services and best practice infrastructure that will provide the foundations for the development of a world class Scottish Public Sector.

91. We will consult widely on the proposals within this document over the next three months, with the aim of producing a final strategy for shared services which can command the widest range of support. We all have a stake in the delivery of efficient and effective public services and we therefore encourage you to actively participate in this important process.

ANNEX A

Shared Services Examples

Organisation	Shared Services provided	Reported Benefits
1 Anglia Revenues Partnership – between Breckland and Forest Heath District Councils	Council Tax and Business Rates collection Benefits administration and Fraud Prevention	£170k reduction in staff budget (10%) 20% reduction in annual ICT maintenance costs Improvement in service quality measures
1 BAE Systems Royal Ordnance	Finance	40% annual savings achieved (with some areas reaching 60%)
2 BASF AG	HR	20% cost reductions Employee satisfaction up with 90% rated as good or very good.
3 BT	BT retail – contact centres BT Global Services – Strategy – Finance – HR	150 call centres to 30 £220m property cost reduction 40% reduction in training costs 25% reduction in HR staff Increased customer satisfaction Increase in employee satisfaction
4 City of Edinburgh Council	Finance Accounts Receivable Procure to Pay	Operational efficiency savings of £0.45m achieved 2005/6, forecast to rise to £1.4m/annum by 2007/8. Forecast reduction of 30FTE (12%). Purchasing efficiencies of £2.6m/annum forecast for 2006/7
5 Eastern Health Shared Services (Ireland)	Finance	15% savings on operating costs from 2002- 2003n
6 Glasgow City Council	Finance Accounts Receivable Procurement HR Payroll Business intelligence	Total projected savings of £10m/annum Achieved Payroll savings of £1m/annum Significant improvement in service quality measures
7 HM Prison Service (UK)	Finance HR Procure to Pay	£32m annual cost reduction Project Net Present Value of £100m+
8 New South Wales Government Shared Corporate Services	HR Financial Management ICT Purchasing Records management Facilities and asset management	Large Departmental Shared Services initiatives achieved annual savings of between 15 and 30%. Whole of government target of 3% of total agency salary budget.
9 NHS England	Financials Procurement to Pay	£250m projected savings from Xansa shared services project
10 NHSScotland	Finance Procurement	Staff reduction of 604 FTE (26% of total) Net annual savings £10m/annum (13.5%) Net Present Value over 10 years £39.87m
11 Oracle	Procure to Pay Transactional HR IT consolidation	\$114m/annum IT cost reductions \$40m/annum procure to pay cost savings 78% reduction in HR operations staff 25% reduction in cost of finance options
12 Philips Electronics – shared service centre for Asia and Pacific	Procurement to Pay General Ledger/reporting Accounts Receivable Non product purchasing Fixed Assets Data management	40% cost reduction from 2002 to 2005

ANNEX A cont.

Organisation	Shared Services provided	Reported Benefits
13 Procter and Gamble Global Business Services	Accounting and Financial Reporting Purchase to Payment Employee Services (HR) Supply Chain systems Business Information Systems Work Place Services Purchases (indirect)	Costs reduced by more than \$500m since GBS inception Staff reduced from 8,400 to 3,800 Annual year I year reduction in transactional costs (20% reduction from 1998 to 2002)
14 RBS Group Human Resources Shared Service	Transactional (HR processing, Payroll, Contract production, training admin) Specialist Services (Business Relationship Management, Change and implementation, HR information strategy, business acquisitions and disposals Professional and Advisory – e-learning and e-resourcing, communications and executive complaint handling, supplier services	Customer Quality Measures 10% annual increases from 2002 to 2004 HR headcount down by 600 HR savings of £48m (above following National Westminster merger 2002-2004)
15 RMC UK	Record to report (general ledger) Purchase to Pay Order to cash	225 headcount reduction £10m per annum savings 21% reduction in supplier invoice processing 68% improvement in on time payments 46% reduction in debt collection cost per £,000 Aim to move reduce costs by a further 50% over next three years
16 Royal Mail Transaction Services	Financial Services – Accounts receivable, accounts payable, financial accounting Transactional HR – pay processing, attendance admin, leavers processing resourcing, pensions, HR information	Reduced locations from 70 to 9. IT systems reduced from 16 to 5 Costs reduced by £50m (36%) per annum in two years. Headcount reduced by 800 (26%) in two years. Improved customer satisfaction (minimum 79% max 100% - up from minimum 33%)
17 Scottish Enterprise	Financials (finance, audit, compliance) ICT HR Customer Relations Legal Procurement	95 net FTE reductions from service areas shown Net annual cash savings £8.1m
18 US Postal Service	Accounting and Finance services (including payroll)	\$25m per annum savings Reduction from 1100 staff in 85 accounting offices to 350 in 3 Accounting Service centres 5 payroll systems to 1 16% saving in overall finance function costs
19 Western Australia Government	Finance HR Payroll Procurement	Projected savings of A\$55m per annum A\$120m investment Head count reduction of 750 staff

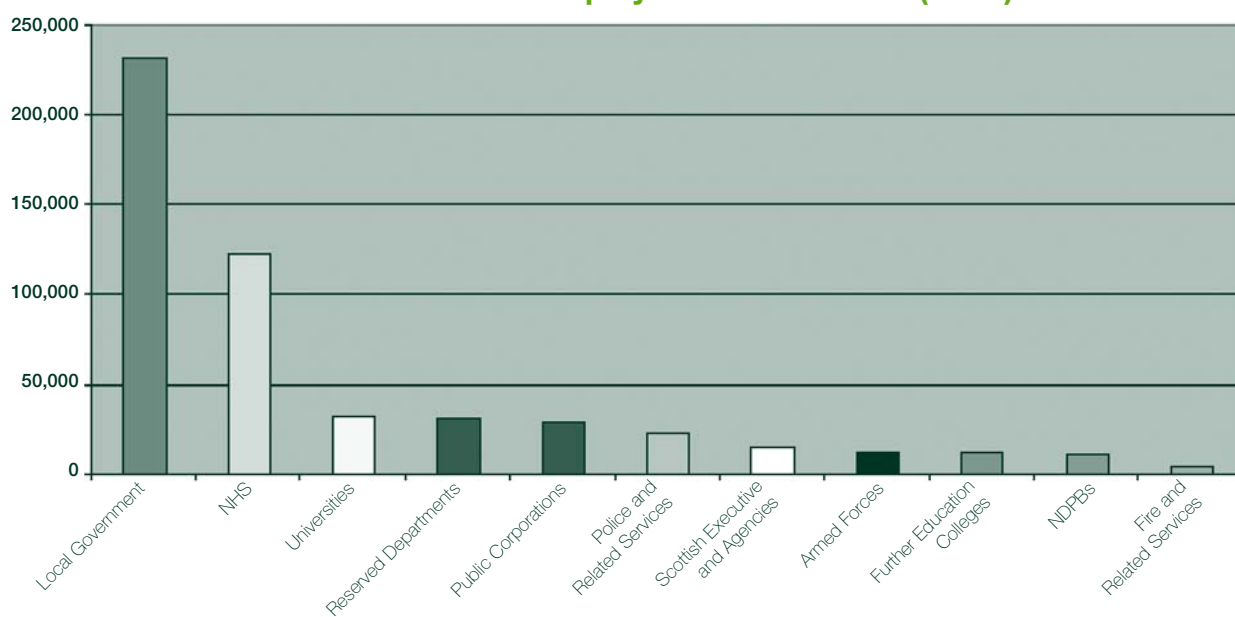
ANNEX B

The Public Sector in Scotland

Total Scottish Public Sector Employment by sector

	FTE
Local Government	232,400
NHS	123,700
Universities	32,500
Reserved Departments (e.g. DWP)	31,500
Public Corporations	28,700
Police and Related Services	22,900
Scottish Executive and Agencies	15,500
Armed Forces	12,900
Further Education Colleges	12,460
Non Departmental Public Bodies & Tribunals	11,400
Fire and Related Services	5,500
	<u>529,460</u>

Public Sector Employment in Scotland (FTEs)



Source: Scottish Executive Statistics on public Sector Employment: Q3 2005 – Published Jan 2006

ANNEX B cont.

Scottish Public Bodies (covered by delegated authority to Scottish Parliament)

Executive Agencies (18)	FTE¹		
Scottish Executive	5760	Cairngorms National Park Authority	25
Scottish Prison Service	4316	Water Industry Council for Scotland	23
Registers of Scotland	1385	Deer Commission for Scotland	20
Scottish Court Services	1011	Scottish Criminal Cases Review Board	16
Historic Scotland	825	Scottish homes (Residual Board)	14
Communities Scotland	412	Bord Gaidhlig na hAlba	6
Fisheries Research Service	326	Risk Management Authority	
Scottish Fisheries Protection Agency	271	Scottish Agricultural Wages Board	
Scottish Public Pensions Agency	211	Scottish Hospitals Endowments Research Trust	
General Register Office for Scotland	207	Advisory NDPBs (14)	
HM Inspectorate of Education	190	General Teaching Council for Scotland	44
National Archives of Scotland	151	Scottish Law Commission	22
Scottish Agricultural Science Agency	140	Local Government Boundary Commission for Scotland	11.5
Student Awards Agency for Scotland	138	Architecture and Design Scotland	7
Accountant in Bankruptcy	120	Scottish Advisory Committee on Distinction Awards	4
Scottish Building Standards Agency	25	Mobility and Access Committee for Scotland	3
Office of the Scottish Charity Regulator	12	Advisory Committee on Sites of Special Scientific Interest	
Executive NDPBs (31)		Building Standards Advisory Committee	
Scottish Enterprise	2409	Fisheries (Electricity) Committee	
Scottish Environment Protection Agency	977	Historic Environment Advisory Council for Scotland	
Scottish Natural Heritage	674	Justices of the Peace Advisory Committee	
Scottish Qualifications Authority	608	Scottish Industrial Development Advisory Board	
Highlands & Islands Enterprise	590	Scottish Local Authorities Remuneration Cttee	
Scottish Commission for the Regulation of Care	500	Scottish Records Advisory Council	
Scottish Children's Reporter Administration	424	Tribunals (4)	
National Museums of Scotland	416	Parole Board for Scotland	10
National Galleries of Scotland	341	Lands Tribunal for Scotland	3.5
Scottish Legal Aid Board	335	Rent Assessment Panel for Scotland	2.5
National Library of Scotland	258	Bus User's Complaint Tribunal	1
Learning & Teaching Scotland	237	Children's Panel (x32)	
Royal Botanic Garden, Edinburgh	225	Nationalised Industries (2)	
Visitscotland	173	Caledonian MacBrayne Ltd	1125
Sportscotland	146	Highlands and Islands Airports Ltd	300
Scottish Further Education & Scottish Higher Education funding councils	135	Public Corporations (1)	
Royal Commission on the Ancient and Historical Monuments of Scotland	100	Scottish Water	4700
Scottish Arts Council	89	Health Boards (15)	
The Loch Lomond and the Trossachs National Park Authority	75	Glasgow	25,151
Crofters' Commission	62	Lothian	17,633
Scottish Screen	44	Grampian	11,165
Scottish Social Services Council	42	Tayside	10,999
		Lanark	9,613
		Argyle & Clyde	9,294

¹ FTE figures come from a variety of sources and are approximate only. They are given for the purposes of showing relative scale of organisations only and should not be regarded as a definitive indication of current number of posts in each organisation.

ANNEX B cont.

Ayr & Arran	8,007	Moray	3,669
Fife	6,702	East Lothian	3,633
Forth Valley	5,232	Midlothian	3,478
Highland	5,150	Clackmannanshire	2,160
Dumfries & Galloway	3,378	Shetland Islands	2,129
Borders	2,422	Comhairle nan Eilean Siar	1,767
Western Isles	784	Orkney Islands	1,515
Shetland	445	Higher Education (20)	
Orkney	443	The University of Edinburgh	5981
Other NHS Bodies (9)		The University of Glasgow	4891
Scottish Ambulance Service Board	3,417	The University of Aberdeen	3034
National Services Scotland	2,888	The University of Strathclyde	2966
NHS 24	741	The University of Dundee	2702
National Waiting Times Centre Board	678	Glasgow Caledonian University	1570
State Hospital Board for Scotland	604	The University of St Andrews	1539
NHS Education for Scotland	402	Heriot-Watt University	1511
NHS Quality Improvement Service	142	The University of Stirling	1509
NHS Health Scotland Board	104	Napier University	1333
Mental Welfare Commission for Scotland	53	The Robert Gordon University	1226
Councils (32)		The University of Paisley	1062
Glasgow City	31,439	Scottish Agricultural College	850
Fife	16,890	University of Abertay Dundee	652
Edinburgh, City of	16,817	Queen Margaret University College, Edinburgh	554
North Lanarkshire	14,907	Bell College	390
South Lanarkshire	13,018	Edinburgh College of Art	270
Highland	9,605	Glasgow School of Art	264
Aberdeenshire	8,764	The Royal Scottish Academy of Music and Drama	139
Aberdeen City	8,603	UHI Millennium Institute(#11)	71
Renfrewshire	7,857	Further Education (46)	
Dundee City	7,793	James Watt College of Further & Higher Education	700
West Lothian	6,558	Dundee College	540
Falkirk	6,334	Aberdeen College	530
Dumfries & Galloway	5,979	Edinburgh's Telford College	519
North Ayrshire	5,916	Lauder College	476
East Ayrshire	5,497	Stevenson College Edinburgh	453
Perth & Kinross	5,204	Reid Kerr College	452
South Ayrshire	4,994	Falkirk College of Further and Higher Education	415
West Dunbartonshire	4,809	Cardonald College	409
Angus	4,746	Motherwell College	395
Scottish Borders	4,369	Inverness College	354
Argyll & Bute	4,256	Fife College of Further & Higher Education	343
East Dunbartonshire	4,159	Glasgow College of Building and Printing	336
Inverclyde	3,948	Jewel and Esk Valley College	323
East Renfrewshire	3,837	Perth College	322
Stirling	3,747	Clydebank College	308

ANNEX B cont.

Langside College	298
Ayr College	292
Kilmarnock College	287
Glenrothes College	274
Anniesland College	267
Glasgow College of Nautical Studies	263
Central College of Commerce	250
Dumfries and Galloway College	244
Stow College	242
Angus College	225
Moray College	225
Coatbridge College	223
Elmwood College	223
North Glasgow College	223
West Lothian College	217
Banff & Buchan College of Further Education	207
South Lanarkshire College	196
Cumbernauld College	195
Glasgow College of Food Technology	174
The North Highland College	174
John Wheatley College	166
Borders College	155
Clackmannan College of Further Education	129
Oatridge Agricultural College	93
Lewis Castle College	87
Barony College	81
Sabhal Mor Ostaig	69
Shetland College of Further Education	46
Orkney College	38
Newbattle Abbey College	23

ANNEX C

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