

SHARED SERVICES EQUAL BENEFITS?



Shared services are achieving Gershon's target with local authorities reaping the benefits, writes Paul O'Brien.



Wherever you live in the UK, the latest buzz phrase in local government is 'shared services', the concept of creating larger public sector entities to achieve economies of scale regardless of geographic proximity.

In Northern Ireland this is being structurally driven forward through the review of public administration which proposes to reduce the number of councils from 26 to seven, while in Wales the 'Making the Connections' agenda aims to encourage joint procurement and shared service delivery across the public sector. In Scotland, Minister for Finance and Public Service Reform Tom McCabe MSP, has spent the last year encouraging public servants to grasp this opportunity as an alternative to structural intervention.

New Communities and Local Government Minister Ruth Kelly has peppered many of her early speeches with statements about 'City Regions', highlighting again the current fascination with all things big. With local government in England responsible for over £100 billion of public expenditure it is hardly surprising that the Government is determined to drive through innovative partnerships as a means to procure supplies and deliver services on a shared basis.

In terms of the modernisation agenda for public services it would appear we are entering a third phase. Having successfully achieved the transition from Compulsory Competitive Tendering to Best Value, and having met the challenge of improvements driven by the audit process and the early Gershon efficiency targets of £3 billion one year early in England, it appears the latest phase is attempting

involve the greatest of diplomacy tests. Grasping the opportunity, however difficult discussions become, could be the critical factor in achieving success, but the potential efficiency rewards will surely ease the pain.

The Association for Public Service Excellence (APSE) has been at the forefront of initiatives aimed at delivering efficiencies in local government that can lead to increased investment in the front-line services that the public cares most about. APSE has promoted efficiency review models that examine baseline information, set new targets, and then utilise a series of opportunities which exist through organisational development, charging for services, better asset management, the re-engineering of processes, joint working and new technology, to create savings.

adequate to do the job. Limited Liability Partnerships or Joint Venture Companies, however fashionable they may appear, are only necessary in specific circumstances or when third parties from the private sector are involved, which changes the procurement dynamics significantly.

Potentially the largest savings can be made in IT-based services where new technology can improve delivery across authorities and where geographic distances become less relevant than with more front-line based services. Clearly savings can also be achieved using specialist service units or assets which are currently underutilised that can provide good opportunities for both shared services and service co-locations. With regard to labour-intensive services savings will mainly come from a reduction

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Different forms of joint delivery exist and the list is not an exhaustive one. In its simplest format one authority may provide a service to another. Similarly, authorities may want to create a joint approach to delivery of services sharing resources and assets between them. Delivering services to other public bodies is another route to consider as is the delivery to multiple public sector agencies. Finally joint procurement is often the simplest way of working

in senior and middle management; however, although this may be politically sexy, it is likely to produce limited results. The use of buying consortia can contribute significantly to achieving efficiencies through economies of scale, particularly where heavy capital investment is required for large projects such as incinerators.

Local authorities already enjoy a wide range of legal powers to develop shared services and undertake joint procurement initiatives. A number of examples of shared services have existed over the years, such as Tayside Contracts which provides a range of services to Dundee, Angus and Perth Councils. Many authorities working in consortia have provided services to police and fire authorities, and purchasing consortia such as the Authorities Buying Consortium (abc) in the west of Scotland and the Yorkshire Purchasing Organisation (YPO) in England demonstrate the value of shared procurement.

Recent evidence of success in shared services is emerging from the work of the nine Regional Centres of Excellence in England. In the East Midlands 17 authorities are undertaking joint legal services work, saving £2.5 million over five years; in Essex 15 authorities are procuring energy together, reducing costs by £1.7 million a year on a £12.5 million turnover; authorities in Greater Manchester are procuring

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to transform service delivery into a larger-scale approach brought about by collaboration or reorganisation.

With any partnership arrangement trust is always key and this is particularly relevant when operating in the goldfish bowl of local government where everyone appears to know everyone else and the baggage they carry. Cooperation is also one of the attributes required and managing egos in terms of who gets the credit will

together and can generate efficiency savings through economies of scale.

The best advice available on governance structures for shared services is not to over-complicate them. The more complex they become the more they are likely to invoke the European Procurement Directives or run up huge consultancy fees, which then erode the potential savings. Joint working arrangements, joint committees or consortia are often

transport fleets jointly; and in Worcestershire the county council and its six districts are combining to deliver a revenue and benefits service producing savings of £1 million a year.

The drive for shared services and efficiency is also producing innovations such as the e-auction. A number of authorities in South Yorkshire have got together to procure supplies for their Decent Homes programmes and have recently advertised in the OJEU their intention to hold an e-auction for £100 million of heating systems, bathroom suites and vinyl flooring.

Large projects such as strategic partnerships are also resource-intensive and must be planned for properly. Consultancy and legal costs must also be built into the equation or the project could end up costing more than it saves. With regard to European Procurement Directives the more contracts are bulked up, the more they are likely to reach EU threshold values, invoking the need to procure shared services in line with the EU Directives. This is also the case if authorities go with a company structure model rather than a joint arrangement.

In summary, keep it simple. Ensure there are adequate arrangements for

as intellectual property rights. One final point to observe on governance is that exit arrangements should be agreed at the outset with financial penalties in place for those who voluntarily leave.

Local authorities cannot ignore the shared services agenda; they need to examine their portfolio of services and assess which are most suitable for sharing. The shared services approach creates an opportunity to reinvent public services. The key to achieving this lies in trust, cooperation and grasping the opportunity.

Paul O'Brien is Chief Executive of the Association for Public Service Excellence

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Evidence from the former ODPM Strategic Partnering Taskforce shows that the more complex you make a project the less chance you have of success. The fortunes of the 24 pathfinder projects in this programme were mixed at best, with a number not getting off the ground or experiencing huge delays. Implementation time can be significant and should not be underestimated; the longer it takes the more likelihood there is of political, organisational or environmental change in one or more of the organisations.

scrutiny, transparency and democratic accountability. Remember, if you go down the company route any elected member appointed to the company board will be required to act in the best interests of the company under UK law rather than the council they represent. It is important to have senior officer involvement in these arrangements and to ensure that any conflicts of interest are identified by those involved. Consideration must also be given to asset transfer and ownership as well as anything jointly created by the shared approach such

IN SUMMARY...

- The largest shared savings are often to be made in IT-based services where new technology can improve delivery across authorities
- APSE has been involved with initiatives aimed at delivering efficiencies in local government, leading to increased investment in front-line services
- Local authorities have enjoyed a wide range of legal powers to develop shared services and joint procurement initiatives

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