

## FEATURE

# Dare to share



## Shared services are being used successfully by central and local government to meet efficiency targets, explains **Peter Busby**.

**I**n recent years, significant pressure has been put on the public sector as a whole to improve the efficiency of its support services. The Gershon Report earmarked shared services, in the back office in particular, as being a key tool in achieving the significant year-on-year cost reductions required from public sector organisations and in releasing resources to put into frontline services. It was estimated that it would be possible to save 20 per cent of costs, totalling £1.4 billion, from the standardisation and centralisation of back-office operations

However, the report stopped short of providing any specific guidance or mandate on the shape which this sharing might take.

Shared services was not a new concept in the public sector at the time of Gershon (indeed it has been around for many years in different shapes and forms). What was new was the level of savings required from support services operations and the urgency this has created in forcing public sector bodies to consider shared services as a means of achieving them.

In the private sector shared services typically means the centralisation of a back-office function which then provides that service to all parts of the organisation. There is usually little or no degree of choice in whether or not to use the service. In the public sector shared services is often taken to mean the sharing of services across multiple organisations - what we would call the collaborative model. While this is ultimately highly desirable, public sector bodies should not underestimate the benefits of creating internal shared services operations as a first stage, particularly where they have the critical mass to justify this. For many organisations these can

represent a means to deliver rapid savings without the attendant challenges that the collaborative model can represent. At the same time collaboration is undoubtedly the 'Holy Grail' for those looking to make a major reduction in back-office costs. It offers the prospect of a quantum reduction in spend were it to be widely adopted and optimally designed.

Central government by its nature has been better placed to promote collaborative shared services as a means of delivering efficiencies. It has developed a number of

challenges in moving to a collaborative model though it is beginning to make noteworthy strides. In recognition of the challenges (both practical and political) in moving immediately to a collaborative-style model a number of local authorities have developed in-house shared service operations which would enable them to offer services to other authorities or public sector bodies in the future.

For example, Glasgow City Council, the largest local authority in Scotland and one of the top five in the UK, has

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flagship operational centres which have sought to attract the units within their own departments as customers to these operational centres.

As an example, the NHS Shared Business Service (SBS) provides finance, accounting and payroll support to over 100 health service organisations. SBS is now run as a joint venture between the Department of Health and a third-party supplier and customers see on average a 34 per cent reduction in costs as well as receiving daily management updates and specialist advice.

The Prison Service has also centralised its finance and procurement services through a 12-year framework deal with a third-party supplier. The Phoenix programme has enabled all 130 prisons in England and Wales to use a central service centre in Newport.

Local government, with its greater freedoms and local accountability, faces greater

embarked on an ambitious programme to transform its back-office HR and Finance functions through the introduction of a shared service centre for its ten operational divisions, facilitated by the implementation of SAP. With a turnover of £2 billion, the council is recognised as a leader in its field, having completed the largest schools PPP and the biggest housing stock transfer in recent years.

The Shared Service Centre has been implemented as a first stage towards achieving a radical reform agenda designed to improve frontline service delivery across the city. A Pathfinder Board has been established to oversee plans, which includes Glasgow City Council, Scottish Enterprise Glasgow, Greater Glasgow Health Board, Strathclyde Police and Jobcentre Plus. These plans include future benefits and efficiencies from sharing of back-office functions that >

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▷ should enable significant money to be diverted to frontline services.

In England Surrey County Council has established a highly successful shared services function which delivers the full range of back-office services to departments. Similarly, Cheshire County Council, one of the largest local authorities in England and Wales with a £1 billion spend, is developing an internal shared services operation which will deliver significant savings to the authority.

Other authorities have sought to develop collaborative arrangements on the back of strong working

services model there are a number of key lessons that need to be borne in mind.

Compromise is essential. Standard policies, processes and systems are the fundamental building blocks of successful collaboration. Ideally these should be 'best practice', but regardless there will be aspects in any collaboration that will not meet your precise requirements. This needs to be balanced against the level of savings that a collaboration-style operation can deliver to its customers.

Commercial input is key. The most successful collaborative ventures in the long term will be those that offer an excellent

a private sector supplier. In central government the Department of Health has a joint venture with the private sector for its Finance Shared Service Centre.

Former General Electric CEO Jack Welch once famously said: "Your back office is someone else's front office." Having learned lessons from past projects there is little doubt that third parties can provide expertise in transformational, technological and operational areas. Balanced against this is the cost of their profit margins to the operation.

Early adopters will have most influence. Being part of the initial pilot or arrangement that sets up a collaborative arrangement is inevitably going to provide a greater opportunity to influence its shape and design.

You do not always need to lead. Within local government in particular there are authorities that have a natural size and scale to lead on the development of a collaborative model. Among these there are a number that have already sunk significant funds into the infrastructure for sharing services, such as new Enterprise Resource Planning systems. Getting on board with someone in this position is not an admission of failure but an intelligent use of resources. You can still be an early adopter without being a major investor. Organisations need to make a cool-headed assessment of where they stand and formulate their plans accordingly.

Increasingly the public sector is 'daring to share' and there are many interesting and exciting ventures under way – there is still no specific mandate from central government on how services should be shared and the recent Local Government Review decisions highlight that this is unlikely to happen in the immediate future. What is likely is that the forthcoming Comprehensive Spending Review will continue to apply great pressure to budgets and accelerate the drive towards the ever-greater sharing of services. 

## Local government faces greater challenges in moving to a collaborative model though it is beginning to make noteworthy strides

relationships with neighbouring authorities. Northumberland County Council implemented a solution for Finance in 2003. Durham County Council is currently implementing its own version of the solution using the Northumberland system and infrastructure to host the solution. This has generated a significant saving for both authorities. Cambridgeshire and Northamptonshire are taking this one step further. Cambridgeshire is a long-time user and is working with Northamptonshire to develop a single solution which they will both use. Their ultimate goal is to develop a shared services operation which will support both councils.

Regardless of which part of the public sector is seeking to move to a collaborative shared

service and reduce unit costs. The first requires investment, the second more customers (and probably more investment!). Customers will demand transparency in terms of cost. All these suggest that the right commercial input is critical. This may be achieved through recruitment of experienced staff or even some kind of strategic partnership or joint venture with the private sector. Different models are evolving. In local government, examples include Blackpool Borough Council providing payroll services to Chorley Borough Council in a 'public/public' partnership and Blackburn and Darwen Borough Council hosting services for assessing housing benefit claims for Westminster City Council through a 'public/private' partnership with



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### In summary...

- The Gershon Report earmarked shared services as being a key tool in achieving the significant year-on-year cost reductions required from public sector organisations
- In the private sector shared services typically means the centralisation of a back-office function which then provides that service to all parts of the organisation
- In the public sector shared services is often taken to mean the sharing of services across multiple organisations – what could be called the collaborative model

### Further information

For further information, please visit: [www.xayce.com](http://www.xayce.com)

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