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A problem shared ...?

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Hammersmith: part of the tri-borough programme

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The answer to all our problems - at a stroke?

Shared services has become a popular solution, but it is not without challenges. **Clive Grace** and **Terry Huggins**, far right, on the scope of this pamphlet



Shared services as a mantra for public services efficiency and improvement has extraordinary power and reach. In some triumphs of rhetoric over reason, shared services even appear capable of resolving the local government resource crisis at a stroke.

As a largely managerial solution, it is an unsurprisingly popular theme for many public executives, and its appeal to politicians is practically universal. It has featured positively in both the Blair-Brown and the Cameron-Clegg governments. In Wales, it has been endorsed and encouraged by the Labour-Plaid Cymru coalition and by the new Labour administration. The Scottish nationalist government has also been a big fan.

It is not hard to see why. Sharing services pushes all the right buttons. It looks to be gain without pain. It promises greater efficiency through the elimination of duplication and the better utilisation of powerful technologies. It signals a willingness to transcend organisational boundaries and inherent partisan barriers in order to join up services with greater benefits for users. And it is a ready answer to the problems of public services leadership and succession planning - after all, if every public service shared its services with just one other, then, in principle, one

might halve the number of senior executives needed to lead them, let alone the savings in the engine room and on deck.

But, of course, it is not all plain sailing. Setbacks in one recent Scottish shared services initiative led one commentator to observe: "It is curious that West Dunbartonshire council, who actually led some of the scoping work, have appeared to pull back at the last moment. Yet, they are not the first to do so, with South Lanarkshire already withdrawing from the process. The fundamental factor underlying this is there are so many councils involved in complex and difficult discussions. Perhaps it works better when fewer councils are involved in these deliberations."*

That commentator may be right, although some shared-services initiatives - in the insurance field, for example - seem to work with many participants, and may even depend on mass involvement. In any event, in this pamphlet we come neither to bury nor to praise shared services as such, but to present the breadth and diversity of what they might mean and to appreciate the experiences of those who have struggled to make them work for public benefit.

We have here both a chief executive's and a leader's perspective on what it is like to share a chief executive between councils. We also have

Foreword

articles on sharing between health and social services, in education, in regulatory services, in the back office and on the front line. We have contributions that put shared services firmly in the wider context of public-services improvement and change. We have an assessment of how things are developing in the context of a central department, as well as the local context of integrated budgets. We have experiences from England, Scotland, and Wales, and we have experiences focused solely on one particular service and those with a much wider and evolving agenda of possible sharing.

In bringing all these together here, we know we have only scratched the surface: there are many more experiences that need to be captured and shared in the interests of learning how better to do it. Perhaps there are some cases where it might have been best never to have tried!

We would like to thank all the contributors for their willingness to let others see their problems as well as the potential, and the scary bits as well as the successes. That is a very valuable act of sharing in itself.

Clive Grace is chair of the Solace Foundation Imprint and chair of the Research Councils UK Shared Services Centre, which provides back office, grants and procurement shared services to the seven UK research councils and is the preferred shared services supplier to the Department for Business, Innovation and Skills and its partner network

Terry Huggins is incoming president of Solace. He is the shared chief executive of Breckland council, Norfolk, and South Holland district council, Lincolnshire

***Richard Kerley, Radio Scotland Interview,
31 August , 2011**

It's not just about the finance – it's ideological, too

The changes sweeping the public sector are meant to deliver a better deal while putting the citizen at their heart.

Philippa Mellish explains



Local government is undergoing rapid transformational change of which the creation of shared services is a fundamental part. It's not that the sector has ever been without change but that the scale and pace of the transformation we face has increased. In many ways, this reinvention of local government may be regarded as a continuation of changes introduced by central government in the 1980s and ensuing years, while in other ways it constitutes something altogether new.

The advent of compulsory competitive tendering in the 1980s paved the way for the use of competition and contracting in the public sector while neo-liberalism and new public management, which followed, brought a greater focus on the difference managers could and should make to the quality and efficiency of public services. Under New Labour, the focus remained on achieving value for money and delivering efficiencies. The government commissioned Sir Peter Gershon to conduct a review of public sector efficiency in 2004 which sought to identify means of releasing cashable savings to frontline services. Significantly, the review raised the profile of shared services as a means of achieving efficiencies; however, its scope was largely confined to outsourcing, the shared arrangements that could be achieved across back office functions, and

the aggregation of purchasing power across the public sector.

Continuing themes

Many of these themes have continued under the coalition government; for example, through the Efficiency Reform Group, the Cabinet Office is seeking to undertake a programme of reform to consolidate back office corporate services. Substantial savings have already been achieved through rationalising HR, finance and procurement functions – the Department for Work and Pensions reported savings of £35m in 2009-10 delivered through its back office shared service centre. The Cabinet Office's strategic vision sets out plans to build on this by "establishing an equitable market of a small number of accredited independent shared services centres".

Such centres represent a step forward in the development of shared services across central government. Significantly, they will operate independently from any customer organisation, helping to distinguish customers from providers. This will, in part, be achieved through opening up truly shared solutions to market competition. In essence, however, the centres do not depart from the Gershon narrative; the same themes remain: rationalising processes, driving econ-

omies of scale, and generating efficiencies. The scope to share services beyond the back office, to achieve ideological as well as financial goals, is limited within central government. There is a need to go beyond the back office, and beyond central government, to deliver real public service transformation.

The need to go above and beyond

The scope for delivering radical shared services is greater within local government than central government. Councils are expected to go above and beyond the back office to explore more experimental forms of sharing. This is reflected in government rhetoric. For example, Eric Pickles, the secretary of state for communities and local government, has stated: "There is no reason why shared services should stop at the back office." And again: "We aren't talking about economising, tinkering around the edges, being more thrifty. We're talking really radical, creative, innovative stuff."

Councils are also keen to move beyond the back office, recognising that these measures alone are insufficient to meet the fiscal challenges that local government faces. The New Local Government Network highlighted this in its Shared Necessities report last March, stating "even in a best-case scenario, sharing back office services will limit savings to 3.6% of expenditure; with a more realistic expectation of 1.8%. Councils also recognise that innovative sharing is both right and necessary to delivering excellent public services.

Stimulating change

The government has taken important steps to stimulate shared service innovation; for example, committing to giving council employees rights to provide services as employee-led mutuals and building on the success of Total Place – the initiative to eradicate overlap and duplication between public bodies – through community budget pilots. In addition, predominantly through the open public services white paper, the government has set out key principles to

guide public service transformation, including the creation of shared services at a local level.

First, public services must increase choice by putting citizens at the heart of what local government does and giving people more control over what services they use, who provides them and how. Second, public services should empower people by bringing decision-making power closer to the people affected. Third, public services should be opened up to a diversity of providers across the public, private, voluntary and community sectors to encourage innovation and improve the quality of services. Fourth, through mechanisms such as transparency, choice and voice, public services should be accountable to citizens and achieve value for taxpayers' money.

Interestingly, these principles place just as much emphasis, if not more, on improving services, raising standards and advancing localism as they do on driving efficiencies and value for money. Furthermore, they imply an expectation that councils will engage in shared arrangements with providers across all sectors, not just with public sector partners. Beyond these principles, the government's approach to encouraging new forms of shared services has been largely hands off. There is no instruction manual stipulating what transformation should look like or how it should be achieved. Rather, councils have risen to the challenge and got on with the job of developing tailored, local solutions.

A Scottish perspective

Scottish authorities are facing intense budget pressures. Last August's report, Scotland's Public Finances Addressing the Challenges, estimates that public sector funding will fall by £1.7bn in real terms (6%) to £27.5bn in 2011-12. The scale of these reductions, alongside demographic and social pressures, means that Scottish authorities have no choice but to embrace radical change. Thus in Scotland, shared service arrangements extend beyond back office functions; Clackmannanshire and Stirling councils, for example, have agreed to share education and social services,

appointing joint heads of service last March.

Such shared arrangements are not solely financially driven; in Scotland, as in England, there is a conviction that shared services are central to addressing systemic failures of the current system and driving public sector improvement. This is apparent in the reform principles set out in the Christie commission in June. According to these principles, public service reform must:

- Empower individuals and communities by involving them in the co-design and delivery of services
- Integrate service provision to improve outcomes
- Prioritise services that prevent negative outcomes, and
- Increase efficiency through removing duplication and sharing services where possible.

Underlining these principles is the presumption that public services should be delivered by a range of providers across sectors.

It is worth drawing attention to one particular theme which features throughout the Christie commission yet is largely absent from the coalition's rhetoric - prioritising prevention and early intervention. Scotland already has examples of collaborations that have fostered prevention, such as the homelessness prevention service run by Edinburgh Cyrenians and co-funded by Edinburgh city council. Christie indicates a desire to advance this work through shared services which, by removing fragmentation and integrating services, can help organisations jointly to address the underlying causes of deprivation effectively. The benefits of preventive measures are, however, more difficult to quantify, and often only become apparent over time, making it a less attractive option in the short term.

A Welsh perspective

As in England and Scotland, the public service landscape in Wales is radically changing. Partly this is because of fiscal pressures - although over the next two years local government expenditure will increase in Wales - and partly as a result of changing demographics and the rising cost of

care. It is also driven by a desire to build on the successful joint working and collaboration that is already taking place in Wales.

In September 2010, the Welsh minister for local government commissioned Joe Simpson, from the local government leadership centre, to undertake a review of service delivery. The report, published in March 2011, outlined 10 principles for change, several of which point to areas of commonality with English and Scottish approaches. For example, at the centre of the Welsh approach is the notion that shared services should be designed with and for service users, result in improved outcomes for citizens, and enhance local accountability.

The many and varied examples of collaboration scattered throughout the Simpson report indicate a growing shared service landscape in Wales. Shared arrangements take a variety of forms and span many services, both front and back office; for example, seven authorities across south and west Wales have joined to form a virtual legal service, Flintshire county council has set up a shared service for mineral and waste disposal sites, Bridgend and Vale of Glamorgan councils have a joint internal audit service and, throughout Wales, councils are collaborating to integrate school improvement services. The majority of these arrangements are, however, confined to the public sector - which, to date, has been the hallmark of the Welsh perspective.

A distinct Welsh approach

In contrast to England and Scotland, there is a strong Welsh preference for public bodies to deliver public services; Welsh policy is focused on collaboration not competition, and empowering citizens through a stronger combined voice, not individual consumer choice. So while Wales recognises the need for organisations to work together, as Solace Wales reported in July, "the move towards private sector delivery and partnership has not been as rapid as it has in England".

There are, however, signs that, in the light of new challenges, this is beginning to change. The

Introduction

recent Solace Wales report, *Beyond Direct Delivery: New approaches to local services*, highlights examples that show Wales is exploring new models of shared service delivery, including social enterprises and mutuals, which is paving the way for the third and private sectors to become more prominent service delivery partners.

Additional dimensions

Lest we think that England and Scotland have little to learn from Wales, it is worth highlighting the attention the Simpson report gives to making the transformation to shared arrangements a success.

In particular, the report highlights the need for strong local government leadership, employee engagement and investment in supporting cultural and behavioural change. In England, the government has given little attention to the mechanics of achieving public service transformation and, consequently, many local authorities are learning how to implement major change involving complex partnerships through trial and error. This underlines the importance of sharing best practice and learning across the sector throughout the UK – an objective Solace seeks to facilitate through the Solace Foundation Imprint.

Sauce for the goose?

So what does the government expect for the future of local public services? One thing is clear – it is a great deal more than efficiency savings and joined up back office functions. Compared with local government, there is relatively limited scope within central government for the radical shared service arrangements required to deliver the scale of the public service transformation envisaged. As a result, the current reinvention of local government is as much ideologically driven as it is financially.

In England, Scotland and Wales, public service reform is about improving service quality, putting citizens at the heart of what local government does, empowering people and making services more accountable to users and taxpayers.

In England, Scotland, and increasingly in Wales, this will be achieved through opening up public services to diverse providers and encouraging new forms of shared service arrangements. Local authorities have not shied away from this challenge, but have embraced ambitious transformation programmes to redesign services tailored to local needs and aspirations.

Philippa Mellish is policy manager for Solace

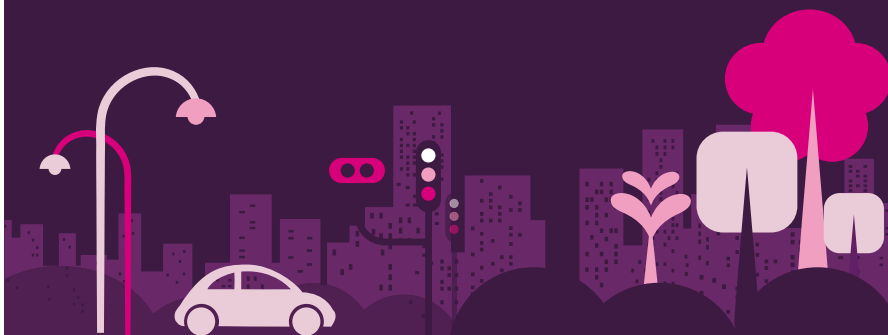
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Bring down the professional and institutional boundaries

The new spirit sweeping public administration in the UK is strong on partnership and sharing in the public interest, argues

Michael Bichard



Older readers may recall the comedy sketch in which the comedian Bob Newhart describes how difficult it was for Sir Walter Raleigh to sell the benefits of tobacco to the Elizabethan court: "Well, you pick these leaves, wrap them in paper ... and then set fire to them!"

I often feel that it would be just as difficult to explain to an alien the benefits of our fragmented system of governance, and the end results are much the same - huge amounts of public money goes up in smoke, in this case via expensive and poor quality services.

How this has come about is, perhaps, less important than what we do about it - but it is probably worth dwelling for a moment on the causes as we seek solutions.

When I came into local government, it was dominated by the professions to the extent that council committees and departments were built around them rather than around clients and citizens. So we had the architects' committee and the architects' department, the planning committee and the planning department ... and so it went on.

The development of corporate management was an attempt to build a structure which made more sense when matched against the needs of the community. It was also an attempt to get

departments to share their expertise and resources - and the professionals hated it! In Whitehall, corporate management had little impact: departments reigned supreme and the organisational structures had little to do with the challenges and needs of real people. Locally and centrally, the institutional empires defended their territories and resisted attempts to persuade them to work, plan, purchase or deliver in tandem.

Subsequent attempts to improve the efficiency and quality of services led, not to more sharing but, instead, to the growth of a myriad of specialist agencies, driven by an even greater number of service-specific targets, indicators, and inspection regimes. Once again, the emphasis was on providers and institutions rather than citizens and communities - and the resulting fragmentation has cost us dear.

Total place and, more recently, community budgets, are initiatives that have belatedly sought to revisit the provision of services for the public good from the perspective of the citizen and to bring some coherence to a system that is no longer fit for purpose. Shared services should play a significant part in that process.

The fact that the specialist providers, authorities and agencies have each developed

their own expertise in fields such as HR, finance, property and legal services is testimony only to their determination to create and defend their bureaucracies. Worse still, the talent available in the specialisms has long been so limited that some public sector organisations have inevitably been recruiting, at best, average staff at inflated salaries. None of this serves the best interests of (council) taxpayers whose sole concern is quality and best value.

Local government has been at fault here, but its failings have been as nothing compared with the Whitehall departments which have continued successfully to fight any attempts to achieve more sensible shared service arrangements. Indeed the plan for migrating central departments to a new shared services landscape will not now be published until November, with a much stronger emphasis it seems on closely monitored independent shared services contractors.

If it is difficult in the context of community budgets to argue with the concept of shared services, it may prove very much more difficult to realise the benefits locally or centrally.

The Department for Transport's programme – which resulted in the establishment of a shared services centre in Swansea, used by 15,000 people in the Department for Transport family – was the subject of a blistering attack by the public accounts committee. The committee concluded that the failure to use a competitive tendering process for IT support, together with insufficiently rigorous contract specifications, poor financial control, and inadequate management reporting, all contributed to a cost to the public purse of £81m rather than the anticipated saving of £57m by 2015. This case study highlights the importance of commercial expertise, programme management skills, and a stable political and executive leadership to design, specify, deliver, audit and oversee what will always be complex change programmes if shared services are to be successfully achieved.

Local agencies may be confident that they have at least some of these capabilities, but there is no room for complacency. That is all the more so because previous attempts at ad hoc ar-

rangements have been undertaken in the context of increasing budgets. That is patently no longer the case, and the pressure to realise savings quickly may make it more difficult to maintain quality, manage effectively the impact on the various workforces and invest in the necessary new systems. Phased collaborative approaches may be the sensible strategy, but they may also be unattractive when the demand is so great and when cutting back office costs to support front line investment is politically so attractive.

But community budgets are about a great deal more than the better use of back office services. Crucially they are about ensuring that the various organisations involved in providing services for, to take the current example, families with complex problems, work together effectively to design and deliver services which make sense from the client perspective.

That requires a much greater degree of collaboration than we have seen hitherto and much greater emphasis on sharing data and measuring outcomes in the round rather than from the perspective of a single service. It also requires – as does sharing back office services – trust between agencies that have often seen themselves as being in competition. The UK riots in August have served to shine a spotlight on families with complex problems. The initial focus has been justifiably on issues of individual and parental responsibility, but the inability of our public services to provide coherent support and, when necessary, intervention has played a significant part in these events. The future has to be much more about partnership and sharing for the benefit of citizens – not defending professional and institutional boundaries at their expense.

Baron Bichard is a former public servant in both local and central government and is a former director of the Institute for Government

Three into one means saving £35m – just for starters

Derek Myers is excited by the possibilities of merging services with two neighbouring boroughs – not completely, but enough to give residents a better deal



Local government has had much to be proud of over the last 10 years: there has been consistent improvement, with year-on-year efficiency gains. The flip side, however, has been a learned dependency: regulators defined standards, the Audit Commission defined what good management looked like and Whitehall handed down innovation.

Faced with a new government and a new take on public finances, three excellent councils – Hammersmith and Fulham, the City of Westminster and Kensington and Chelsea – started to consider their common cause. The three boroughs are proud of their independence. They have not been above a little gentle competition, but they were also aware that they have common problems and, crucially, mutual trust and shared ambition, which have given them the opportunity to work together in a deeper and bolder way.

From the outset, it was clear that our ambition needed to go further than cost cutting. All three leaders were hungry to improve services and for new responsibilities, keen to press government about the ability of their councils to produce better, local, tailored plans to get more people back into work, to deter people from crime, to improve public health and to reduce welfare bills. All three councils understood the need to press

on with localism, strengthening the voluntary sector, encouraging self reliance and using the market to seek best value. We therefore decided that we wanted to:

- Localise where we could
- Aggregate where we should, and
- Innovate everywhere

Naming things that needed to be local

To be successful, London needs to collaborate, but to be real, we need to understand that London boroughs also need to fight their own corner. We were not going to wish away the fact that we would continue to take our own positions on land use, particularly where there were development sites close to borough borders, on our local residents' strongly held views on licensing, or on any other area where the council voice needed to be heard distinctively and robustly. We therefore quickly established that planning, licensing, and policy and communications should stay as single borough services, but we would collaborate where sensible.

We had further debate about housing. Our housing delivery models were all different, and there seemed little immediate gain in trying to synthesise them. As a result, although we didn't rule out further beneficial collaboration, we

excluded housing as an area for service combinations.

So from the outset, all three councils understood the importance of maintaining a local agenda. The relationship with our electorates and our ability to determine local solutions was regarded as of continuing importance, to be balanced against the realities that, by doing things together and, where responsible, by compromising over specifications and procurement arrangements, economies could be achieved.

The rule adopted from this point was that everything else was fair game: we should consider whether by working together we could save costs, promote resilience and commission and procure better. We recognised that London boroughs – though, to us, clearly perfectly formed – are actually quite small units of administration for some services which, outside London, are routinely delivered on a greater scale. If county councils could routinely run children's and adult social care services at populations up to and over a million, then why couldn't three London boroughs run these services with a combined population of 650,000? With this sense of ambition, groups of officers began to meet, sometimes for the first time, to explore options.

Developing proposals

A remarkable degree of professionalism was evident. Many officers came to these discussions with a sense of regret, anxiety and scepticism as to whether or not we were serious or whether or not this idea was doable. Part of this was the bereavement that public sector staff felt for the passing of an era where they felt valued, had been able to develop services, and had been the most successful part of the wider public service family. While we were talking through the tri-borough ideas, we were also making single-borough budget reductions of an order that we had not made before. Things previously not contemplated were now being implemented.

From these many, slightly tricky, slightly tense conversations, remarkable things began to happen. The intellectual curiosity of professional staff was stimulated. We began to get below the

surface of how each council described its work and found that there were things we had in common, but also inexplicable differences in what we paid people, how we organised, and what we achieved. This process has only just begun, but we believe that this "deep compare and contrast", built on trust and a sense that we are all in this together, offers the potential for elected politicians and managers to be more challenging about current assumptions of how we spend and how we organise and to draw more comfort that we have tested options for innovation in a comprehensive way.

One of the ways we built trust at the outset was to commission surveys of the views of residents, staff and community leaders towards the project. Perhaps surprisingly, this showed a common level of support – around 80% from each group for the combining of services. People expected us to address the new austerity in an imaginative and collaborative way.

From proposals to plans

In June 2011, the three councils agreed formally to set up combined services with joint management teams for children's services, adult social care and libraries. We agreed that, for two boroughs, we would also set up a combined service for environment services. These decisions had obvious implications for the number of future management posts and redundancies, but what was fascinating and encouraging in those early discussions was the understanding and enthusiasm for the role of management.

We recognised that the last decade in local government had seen a proliferation of sub-experts. An era of scientific management had led to specialists who were simply not heard of a generation previously. We now had experts in business continuity, community safety, risk, commissioning and procurement, customer insight, as well as a host of subject experts in service departments. All of these people were making a contribution to the delivery of excellent services. We wanted to keep them. We just didn't feel the need to be self sufficient in them. This was no nihilistic attack on non-jobs; this was a realistic

Tri-borough

appraisal that management and expertise was an essential component of successful commissioning and delivery, but that expertise – worth paying a proper market rate for – needed to be spread more widely.

Westminster understood its responsibilities to deliver major parts of the Olympics and its continuing responsibilities at the heart of a world city, and it was agreed by all that this required the retention of its management infrastructure for environment services and its own chief executive. The other two boroughs, Hammersmith and Fulham and Kensington and Chelsea, agreed to have a joint chief executive, the first joint chief executive between two upper tier councils; the first between two unitary councils. There was a similar commitment to form combined services – where practical and appropriate – in corporate services, although we are not naive about the challenge of joining up computer systems, general ledger systems and back office systems generally.

Working together, we expect to save an initial £35m over and above large savings made in 2011-12. We see this as a down payment. We can save more.

Local government re-invented

Public expectations are high, and our residents expect the tri-borough programme to offer a greater range of services and improved value for money, but what is remarkable is that, when you see the world differently, you grant yourself new opportunities. We aim to be a stronger platform for devolved responsibilities for government. Opportunities keep coming. Across our services, we are ready to put our hand up when government wants to trial something new, or encourage local authorities to step forward with new ideas. Part of this confidence is because we have a plan. We can see beyond budget reductions and we want to be a confident part – indeed, perhaps, an exemplar – of the next generation of local government.

As you read this, we are well on in the first wave of implementation. Senior appointments have been made; combined management teams

are operating and services are starting to be delivered. Our first joint campaign – “Summer in the City” – has successfully offered 200 summer activities to families across the three authorities. And already we are thinking about the future.

London is the growth hub of the UK. The south east still has the greatest growth potential. Within London, inner west London is still the place of choice for successful Londoners and those moving to the capital. Our three boroughs contain the greatest concentration of successful and highly ambitious people, international headquarters, media industries, cultural attractions and high-end retail. We are acutely conscious of this treasure trove of economic catalysts and want to continue to manage our collective and individual land interests, growth opportunities and human capital with flair and determination. We are all proud that at a time of tumultuous change and, arguably, unprecedented pressure for local government, we have devised a truly local solution.

Derek Myers is chief executive of Kensington and Chelsea

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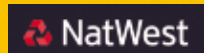
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More than just making savings on tight budgets

The three London boroughs seeking to work more closely are taking a significant political and administrative gamble.

Jane Dudman reports



The tri-borough agreement between three London authorities – Westminster, Kensington and Chelsea and Hammersmith and Fulham – announced in February, has been one of the more successful approaches in local government to making efficiencies by merging services.

Other councils have attempted to share services and joint chief executives, with different degrees of success. Politics, territoriality, fears of loss of sovereignty, even plain old personal disagreements and clashes, all these have made it difficult for local authorities to work more closely together. It's relatively straightforward to try and run joint IT or HR systems (although even that isn't done as often as it might be), but much less easy to merge management teams and frontline services.

Derek Myers, the chief executive of Kensington and Chelsea, acknowledges (see pages 12-14) that the initial discussions about how the three councils could work together were "slightly tricky, slightly tense". But, he adds that from the initial conversations, "remarkable things began to happen" and that there was "a remarkable degree of professionalism" about the discussions.

It is no wonder that discussions were tense, given that many of the jobs set to go as a result of cost-cutting across the three boroughs will be

in senior and middle management. In February, when Hammersmith & Fulham announced cuts of £65m over three years, it said this would mean cutting 700 management jobs, including 175 senior posts.

But Myers says there was agreement across all the professionals involved that management teams would need to be merged – and that this should involve a far wider appraisal of skills and expertise across the three boroughs than just a simplistic, cost-cutting exercise.

The tri-borough agreement includes reducing the number of chief executives from three to two, combining corporate overheads such as IT and HR, combining a number of other back office and frontline services, and combining children's and education services under a single director.

In June, the councils agreed formally to set up combined services, with joint management teams, for children's services, adult social care and libraries.

The first tri-borough director of children's services has already been appointed: Andrew Christie, former director of children's services at Hammersmith & Fulham, takes up his new, tri-borough post in October.

In an open letter to staff earlier this year, Christie acknowledged that this would mean

"some difficult change". He wrote: "It is a huge challenge, and the thinking behind combining our services is that we will be able to save a significant part of that money – £100m – without impacting on frontline services and frontline staff."

There have been other innovations as part of the tri-borough agreement. The three councils have set up a flagship employee-led mutual organisation to deliver education support services to schools, right in line with the government's desire to spin out public services from the public sector. The new organisation, one of the government's Pathfinder pilots, is expected to be up and running by next April, once it has struck a deal with a private sector partner, which will own half the shares. It will include staff formerly employed directly by all three councils.

Tri-borough working is still in its infancy, and the agreement between these three councils has been helped by the fact that they have a similar political make-up and professional culture, something that shouldn't be underestimated. "There are clear similarities between these councils and there has been very clear political leadership of the agreement," comments John Tizard, director of the Centre for Public Service Partnerships. "Of course you want good operational and management leadership to make such agreements work, but clear and visible political leadership has been very important."

Tizard also believes good planning is vital and says one success factor is not trying to do too much at once. "They have focused on children's services first, rather than trying to do everything, and they have been clear about their objectives," he points out. "You have to have more than just financial objectives. There should be good operational and service reasons.

"So if things are going well, what might be the dangers ahead? There's always a risk that you move too fast elsewhere, without the same level of planning that has gone into the initial project."

Political commentator Professor Tony Travers says there is more to the tri-borough agreement than political agreement.

"It's easy to say that these are local authorities

under the same political control, but it's not that simple," he comments. "There are different kinds of Conservative authorities."

Travers says these three authorities are getting on with the reality of shared services. "Seeing a job advertisement in the Guardian for a new joint director of children's services is powerful evidence that this is not just people talking about it, but that they are prepared to invest in this joint policy. So it does appear to be working, despite all three boroughs being complicated places."

It will be interesting to see how things work out in practice. It's not just building the bridge that counts, but maintaining it.

Jane Dudman is editor of the Guardian's Public Leaders Network, which provides cross-sector insight for senior managers of all public services

It's a bit like a marriage - but without forsaking all others

Councils sharing services have to be careful which partners they pick, says **Terry Huggins**. They have to trust one another and build a good relationship



As anyone who has ever raised children knows, while it is more cost effective for them to share their toys, this does not always seem to come naturally. So it is with district local authorities. It is not difficult to find examples of considerable time, effort and money being put into plans for shared services only for these to come to nothing. While those who started on the journey towards sharing could perceive the benefits, and the detailed business case which consultants have been paid handsomely to produce supports this, nevertheless the parties decide not to proceed with sharing.

Based upon the two successful examples of shared services in which I have been involved, I have reached the view that the nature of the relationship between the parties is the most important factor. Without the right relationship, the strongest of business cases will not overcome the challenges, yet with the right relationship, obstacles can be overcome rather than become reasons for not proceeding to share.

The first case to which I refer is the shared services between East Lindsey and South Holland district councils in finance, revenues and benefits, HR, IT and customer services. This started as a potential three-way share including Boston borough council. This shared service

went the route of outline business case, leading to a detailed business case, followed by a period of service redesign and investment in IT. The delivery model for this shared service is a wholly owned (Teckall) company called Compass Point Business Services (East Coast). It is saving the two authorities more than £2m annually.

The second case history is of Breckland Council and South Holland district council sharing a chief executive and senior managers. This was achieved in a little over six months without any detailed business plan but a clear and agreed model on which to build the shared service. It is realising savings in excess of £1m a year.

Sound relationships for shared services

It has been most noticeable as I've listened to members and colleagues talk about shared services how their language has drawn from that we use everyday in our relationships. Talk is of a "marriage" between the parties. When things go wrong, one of the parties is said to have been "jilted". When East Lindsey and South Holland went into a phase of investment into service design and IT procurement, they entered into a "pre-nuptial" agreement, specifying where costs would fall if one party withdrew.

Like any relationship, the shared service

one will develop and strengthen with time. But where to start? Often parties have started working together based on the convenience of geography. Two neighbouring authorities have decided it would "seem to be a good idea" if they considered sharing things. While there are added benefits in sharing with neighbours, I am overwhelmingly convinced that the fact that it "seems like a good idea" will not create a strong enough bond to overcome the challenges that lie ahead.

A positive relationship between the parties far outweighs the convenience of geographic closeness with an incompatible neighbour. The characteristics which make a relationship work are openness and honesty, plus the commitment to communicate clearly and simply with each other. No hidden and undeclared objectives or "sacred cows", no hiding behind ambiguous gobbledegook. "If this shared service isn't going to work, let's both come to this conclusion as swiftly as possible and with the least lost time and effort." I've witnessed shared services falling apart after months of work in developing detailed business plans because one party had a precondition for sharing that was not acceptable to the other and which could have been raised before all this failed effort.

Beware flirts

Sad to say there are some local authorities who seem to enjoy the chase and the courting but have no inclination to sign off on a shared service. When in 2006 my first efforts to find a partner for shared chief executive came to naught, I thought about placing an advertisement in the Local Government Chronicle or the Municipal Journal and starting a lonely hearts column: "Small but perfectly formed district council seeks similar for ...".

Having found one or more other parties with whom you are able to work, make sure you have a common idea of what the shared service will be like and how it will differ from the status quo. For the East Lindsey district council-South Holland district council shared services, it was obvious that a thorough redesign would be

needed plus investment into IT solutions to aid operation in a different way. This was going to need considerable investment (around £4m) and it was therefore important that this investment was justified by a business plan confirming that the anticipated savings would indeed be forthcoming. Before the investment was agreed, the operation model and what this might mean for each party was jointly and openly explored so that both parties went into the business planning with their eyes open.

My observation would be that when things go wrong the parties have often too readily jumped into the business planning stage without having considered and accepted the likely consequences of the shared service. Without an honest relationship, it's too easy an option to agree to proceed with detailed business planning rather than face up to an open conversation about what sharing is going to be like. Belief that the business plan will demonstrate such benefits that the challenge of sharing will be overcome just doesn't seem to be the case. If one party doesn't like any of the consequences of sharing, they will find a reason for scuppering it however good the business plan.

For the Breckland-South Holland shared chief executive and management project, the need for a detailed business case was less evident. Both councils agreed a structure for shared management built upon three core functions of commissioning, governance and place. They agreed that, beyond shared management, full integration of all services may not be the best way in all cases and, therefore, this was not a prerequisite of sharing management. It was a requirement that shared management was not to lead towards loss of individual identity of each council or of democratic accountability.

Both councils considered and recognised that sharing management would mean a different way of the leader, executive members, scrutiny and others interacting with their senior managers and that they were prepared to accommodate this. Based upon this joint understanding, the councils were confident to proceed without a detailed business plan. They took the more

Shared management

pragmatic approach that they were to go on the journey towards a common destination based upon an initial plan but prepared to adjust things as they went along. This approach enabled a swift introduction of joint shared management.

Keeping matters straightforward and simple allows agreement on key principles without the need for complex negotiations. This is particularly true on mechanisms for allocating costs, risks and savings. On individual issues there may be winners and losers, but it's important to keep the bigger prize in sight. For example, when considering the customer contact service at East Lindsey and South Holland there were differences: East Lindsey operates customer contact points throughout its district, whereas South Holland has only one in its principal market town. However, South Holland is a stock-retaining authority and therefore has a busy work-stream of service requests from housing tenants which East Lindsey doesn't.

Experience of this and similar matters with Breckland shared management indicates that, as soon as the negotiation gets into detail, it seems to follow that a different mindset takes over and winning the battle over quite minor matters clouds the bigger picture. I recall a time when a disagreement over whether or not one party was gaining an advantage of a few thousand pounds could have put at jeopardy a saving of hundreds of thousands. Fortunately, common sense prevailed. For the shared services between East Lindsey and South Holland, the agreed share of costs and benefits is based on the population ratio between the two and for the shared senior management with Breckland and South Holland the split is 50:50.

As with all change projects, good communications with interested persons and organisations is crucial. The importance of a strong relationship between the two sharing parties has been emphasised, and this relationship and trust needs to extend beyond the individual council leaders. In both the case histories, a small group of members from each authority formed a steering group for leading the project and they arranged for joint meetings of both executives and

councils and for the involvement of scrutiny. This ensured that the relationship was more inclusive and built upon more than just that of the two leaders. Council support for the shared service and management was wider than the controlling political group.

Of equal importance is communication with staff and trade unions. It's also important that stakeholders and existing partners are kept informed of the intentions with shared services and management. Existing partners can feel threatened by the new relationship and come to their own conclusion upon what it will mean for them. In the case of shared management, we were very clear in stating that while people were talking of this as a marriage, it was not a monogamous but a polygamous relationship. It may be marriage but we were not taking the vow of "forsaking all others". Managing a multitude of different yet effective relationships necessary for the business becomes a requirement of the chief executive and senior management team.

In conclusion, my message is a simple one. Spend time identifying a potential party with whom you feel confident that you can build a strong, open and honest relationship. You want people who speak simply and straightforwardly, where you don't leave a meeting with them feeling as if you've been through mind games and tactics. A relationship of equals. Then commit to exploring if you have a common vision of how you might share to your mutual benefit and whether you're both (all) prepared to accept the consequences. Only once this has been successfully concluded is it worth investing into detailed planning.

Terry Huggins is chief executive of Breckland council, Norfolk & South Holland district council, Lincolnshire and is a director of Compass Point Business Services

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A shared vision and trust: a recipe for sharing success

It helps, too, says **Gary Porter**, if you have strong politicians, open, honest speaking and a chief executive and leader who understand their separate roles



The very survival of district councils after the next general election will be determined by how we react to the need to drive down the cost of local government. We can either do this by slashing and burning the services that we deliver to the public (not attractive from an electoral point of view) or we can work together to reduce the unit cost of each of the services that we deliver and/or consume. For me, the latter is the only politically viable option. While I would include all of our services under the "services we deliver" label, the management of them I would class in the "services we consume" category. For me, it is this category that is the most interesting and has the greater potential to yield the solution to the issue that threatens our survival.

Apart from the survival argument, there are five further reasons why shared services should be considered:

- To make more efficient use of an expensive asset (senior managers)
- To better embrace the new executive governance models
- To make savings whilst protecting frontline services and avoiding cuts
- To start achieving savings in a relatively short timeframe

- To maintain or strengthen the resilience of the sharing authorities.

Trust - an essential ingredient

Before embarking on the shared service journey, the elected members of each of the participating councils need to have a frank and open conversation, both within and between each of the partners. For me, they need to establish two critical facts: do they trust each other and do they have a shared vision for the future.

While establishing this is no guarantee of success, not establishing it will definitely guarantee failure. We have seen over recent months many projects that fulfil all of the business-case criteria but fail to get the approval of one or more of the partner councils, and the aborted project costs could have been saved if the "honest conversation" had taken place at the start.

Driving ambitious change

Assuming that the politicians have had the "conversation" and it is established that they trust each other and share the vision for the future, it is imperative that the elected leaders and members should be the driving force towards achieving the "sharing". I have observed first hand, proposed shared services not proceeding

because leaders have not challenged officers and other members who haven't bought into sharing and its benefits. We've all heard the maxim that "turkeys don't vote for Christmas", but this does not make it any less true, and there are still cases where self interest and unambitious viewpoints of senior managers in cosy relationships with portfolio holders are hampering what could become good, cost-saving partnerships.

The secretary of state at the Department for Communities and Local Government has encouraged local authorities to drive down senior management costs, and it is apparent that council-tax payers do not always comprehend why senior managers command their salaries. Sharing management between two or more authorities is a way of getting best value from this costly resource. As with any asset, we should be sweating them to improve value for money.

Redefining the political-managerial relationship

We have all read of cases in the local government press where a local authority has fallen out with its chief executive and they are parting ways, often involving the payment of a large compensation sum to the outgoing chief executive. It's common for these breakdowns to be caused by the leader and chief executive both trying to occupy the same space. There is no clear understanding and respect between them of the other's role.

New executive arrangements in local authorities require leaders to give strong political leadership, decision making and strategic direction in ways that require the leader-chief executive relationship to be redefined. Sharing the chief executive helps create space for the executive leader to occupy and creates a new and more fulfilling role for chief executives.

This changing relationship also extends to interaction between cabinet members and the rest of the management team. Cabinet members have to be capable of and prepared to play an enhanced role in the day-to-day strategic direction of the areas of service covered by their portfolio. Directors and service managers will have to be able to step up and manage many different varia-

tions of service delivery and be able to assimilate and communicate back to members how differing practices deliver better outcomes on the ground. This will inevitably mean everybody working in ways that are different to now, and there will undoubtedly be challenges to established relationships, but nothing that cannot be overcome if the people involved have the skills and commitment that are common place in all good councils.

Shared services postgraduate certificate

The importance of shared services and the growing body of evidence about what works and what contributes towards a successful shared service has led to the establishment of a recognised body of professionals. Shared Services Architecture and Canterbury Christ Church University have developed a learning package leading to a postgraduate certificate in shared services. The programme is suitable both for managers and elected members. Those who complete it will have the skills and confidence to be a leading part of the delivery team. However, these people can only help you towards sharing and are not a substitute for political leadership and determination.

Removing barriers to sharing

Some elected members will have natural questions and concerns about how sharing will have an impact on their authority and their role. These must be properly addressed but need not be a barrier to shared services. Typically, concerns will include:

- Will this result in a loss of local identity and the ability to respond and shape in accordance with local needs?
- Will this be the thin end of a wedge that will lead to a merger?
- Will the council remain accountable to its own electorate?
- Will this be a takeover by the other authority?
- Will the other authority drag down our performance?
- Will we always have to provide services in the same way to the same standard?

A member's perspective

The simple answer to all these issues is: if you have the political will. And that, provided these issues are openly aired between the parties early on and suitable safeguards established to reassure members, they need not become barriers to achieving shared services. What will be a barrier, however, is weak, ineffectual politicians, poor-quality officers, failure to communicate openly and honestly with all members and all staff, lack of trust, lack of vision, and lack of ambition.

Through my experience as a council leader, through supporting leaders of other authorities and through my studies for the postgraduate certificate, I remain strongly of the view that shared services and management will be the only way that many districts can build for themselves a sustainable future.

Councillor Gary Porter is leader of South Holland district council, vice-chairman of the Local Government Association and a shared service architect practitioner

Working with GPs to find answers for our community

Bringing Wigan's primary care trust under local authority leadership has focused attention on solving local problems, says **Joyce Redfearn**



I have been the chief executive of Wigan council for six years now and in January of this year added the chief executive role of the coterminous primary care trust to my responsibilities.

This was a symbol of close local collaborative working and also, given the huge changes in public services, the start of a joint collaboration across the health and social care economy to up the pace of change in order to create and develop an integrated system that delivers better services for the Wigan community.

A shared approach was only possible because of the widespread support to look for the best outcomes for Wigan's community. The idea was led and driven through by the chair of the trust, with the support of his board and the leader of the council plus the portfolio holder for adults and health and the cabinet. It also relied heavily on a broader acceptance from the leaders of the emerging GP consortia and the provider organisations in health. It built on a shared history of good working relationships and extensive work on a substantial section 75 agreement, which is designed specifically for this purpose.

There was also a sense that in building a sound systems approach, our next phase needed to be a greater translation of this into shared action that would make a difference.

There is a shared platform for the health and social care economy of growing needs and diminishing resources. If we are to lessen dependency, enable and engage the customer-patient, and continue to increase prevention and early intervention, then there is a collective assumption that "local" and "integrated" are key parts of making change happen and maintaining quality.

Below that broad statement lie a complex range of approaches and techniques, some building on what has gone before and others challenging and radically reshaping what we do and how we do it. To give a flavour, I have extracted four elements fundamental to our approach. These are: building relationships and common purpose, managing change, focusing on a shared cost-reduction process, and an inclusive and action approach.

For Wigan, the health and wellbeing board will drive the strategic approach on a local and integrated basis. This is a whole new collaborative opportunity for the borough. The board recognised that it was essential to build strong relationships between the five GP leaders and the five cabinet members at the heart of this arrangement. They come with different backgrounds and knowledge, and so the more effectively they grow their shared understanding, the

Collaborative leadership

more efficiently they can bring about their shared objectives. From the start there has been a heavy emphasis on defining the core common purpose and success factors. To achieve and stimulate the right outcomes the emerging board has also seen it as essential to build strong connections with providers, with clinical networks and to ensure public and patient engagement. This is about mutual benefit to deliver better outcomes.

Maintaining quality services at the right cost through a protracted transition in health is a big challenge. So as well as gaining support from the cluster and the strategic health authority for our local arrangements, we do need to establish, as soon as possible, the future organisational structure and assign staff to it. Hence our GPs are working to form and gain authorisation for the clinical commissioning groups and to begin now in shadow form to act in their new roles.

At the same time, the council is significantly rethinking its services to meet its considerable financial reduction targets. Service redesign around and with our customers has personalisation and reablement at the heart of this change and needs to integrate successfully with the work being driven by GPs in health.

Our joint economy approach to cost reduction will identify the savings required to deliver financial balance by the whole economy, and then set a framework for the delivery of those savings.

The primary care trust and the local authority as commissioner must in this and the coming three financial years find a total of £46m and £65m savings respectively in order to deliver financial balance. The sums involved are a significant challenge to the public sector locally and to each of the provider organisations.

In order to address these serious financial challenges, the clinical commissioners and the primary care trust have established, with the respective chief executives of the provider organisations and the director of social care, a cost reduction forum where we are examining local benchmarking data in order to identify the significant efficiency opportunities between us.

We will then with local clinician support identify from this long list of opportunities the

top three areas that we will agree to work on collaboratively across the health economy, integrating with social care.

Making this happen across organisations and at all levels of the system is key. So we are:

- Creating a shared commissioning unit
- Exploring shared business support for the Wigan community
- Working on provision seamlessly wrapped around the customer.

In many of these cases we will work on sharing functions and actions. Only when we see that they are working will we finally create the ongoing form.

We also believe that the simple step of co-locating staff into the new Wigan life centre will make a huge difference to how we work together and work with the public. So leisure staff and facilities will work alongside some mental health provision. Community providers will work alongside health and social care and public health commissioners. We think the innovation and creativity that is already there can be encouraged and blossom in a shared environment.

When we teach our tiny children to share, we see how hard a lesson it can be to learn. With insecurity and pressure on jobs and professions, it is not surprising to encounter resistance. Overwhelmingly, though, I feel positive that, given the right framework and culture, innovation and creativity can and do thrive and that organisational boundaries and the barriers to integrated working can be overcome. So many of the people I meet care passionately about making the difference for and with their community.

Which brings me to the final point of celebrating successes. We all know that, in this environment, managing risk becomes key. If you want a basis for action, you need to celebrate what is already there and making a difference. These range from the individual practice manager shortlisted for an award to the shared provider services around falls, reablement, unscheduled care, joined up health-social care and public health commissioning. We all accept that in these

challenging times, however, we need to ensure we achieve the right service in the right place at the right cost. By shared working, we can learn together what works.

We are all convinced that now is the time for deeds not words if we are to make that difference for Wigan.

Joyce Redfearn is chief executive of Wigan metropolitan borough council

A commercial approach that will save £33m over 10 years

Herefordshire is linking council services and local health trusts through a company that will cut costs and deliver. **Dean Taylor**, far right, and **Eric Bohl** explain



Shared services programmes are often seen as all talk, with months (and years) of debate and pre-variation and precious little to show at the end of the process. In our experience, a lot of talk is required - but the right kind of talk, enabling partners to make informed choices, to build the confidence needed to commit, and to develop and maintain a shared vision.

In Herefordshire, we have recently created the country's first joint venture company providing corporate and support services to a council and two health trusts. The company will, of course, help to deliver substantial savings. However, much more is expected of it: the company is charged not just with delivering more cost-effective corporate services, but also supporting strategic transformation within its three principal customers and offering services to other organisations in the area.

Putting residents first

The partnership is the latest in a line of groundbreaking innovations in Herefordshire designed to revitalise local public services, helping them become more efficient, joined up, customer-focused and responsive. The council and the primary care trust were the first in the country to appoint a joint chief executive, Chris Bull, in

2007. This year, the primary care trust and the council transferred their health and social care provider functions to Hereford Hospitals Trust to create the first integrated care organisation in the country, Wye Valley NHS Trust. In all of this we were focused on how we could achieve better outcomes for local residents by putting their interests above the interests of each organisation - our aim was not just to be a better partnership!

Informed choice

It was recognised that the joining-up of services to the public would depend on joined-up support services. The partners set up a joint shared services programme in 2009 with support from the West Midlands improvement and efficiency agency. Early initiatives included a shared ICT service in 2009 and some sharing of HR and payroll services, which demonstrated the ability of the partners to collaborate effectively. However, a more radical approach was needed to deliver the partners' vision, and so alternative service delivery models were carefully evaluated for each of the first wave of corporate services in scope. This analysis helped the partners to make an objective, informed choice from the options available.

For some services in the first wave, outsourc-

ing was found to offer the best solution. For example, the three partners have recently completed the joint procurement of their internal audit services from a strategic partner, KPMG. However, for the majority of corporate services in the first wave, the partners agreed in October 2010 that a new joint venture company was the best route to deliver their intended strategic outcomes and so Shared Services Partnership Limited was born.

Confidence to commit

The company (or partnership) opened for business on 1 April 2011, providing support services such as human resources, payroll, finance, ICT and revenues and benefits. The partnership is a joint venture company owned by Herefordshire Council, NHS Herefordshire, our primary care trust, and Wye Valley NHS Trust and provides services to its three owners and to a range of other customers, including academies and GP practices. The company has an initial turnover of £14m a year; 315 staff were transferred to the company on 1 April and another 144 are to transfer soon.

The creation of a more formal corporate vehicle underpinned by long-term contractual commitments was made possible by our experience of joint working. Our experiments in shared services were vital in building the confidence that was needed to commit to a more ambitious programme, based on a realistic understanding both of the barriers to and benefits of sharing. We have also realised that, in certain areas, one partner may gain more than the others, but overall, the partnership gains far more.

Part of that confidence flowed from our demonstrable track record. For example, the delivery of £1m of savings in the very first year of the programme provided reassurance that the projected programme savings (in which partners are expected to share net annual savings rising to £4.3m after the initial investment in systems and set-up costs) were on track and realistic. Overall, the shared services programme is expected to save £33m over 10 years, after investment costs of £8.4m.

Keeping our vision fresh

The shared services programme is underpinned by an investment in programme management and in getting the detail right, but the partners recognised that the basics wouldn't work unless careful attention was also paid to getting the vision right. The first of the five programme workstreams in our shared services programme focuses on strategic planning in which the partners have agreed a set of strategic outcomes for the programme, have developed a vision for partnership working, have established shared commissioning, and established pooled governance.

The three partners have invested time at the most senior level to develop a shared vision and to sponsor the shared services programme. This work has paid dividends in providing a clear strategic framework within which our shared services can develop and grow and has helped to ensure that the partners are able to resolve more quickly issues which have bedevilled shared services initiatives elsewhere in the country, such as charging arrangements. Shared services initiatives will always present problems, there must, however, be the partnership capital to draw on to solve them.

Our joint venture company, the Partnership, also benefits from leadership commitment with an experienced board of directors that includes board members from the two NHS trusts as well as the council's deputy leader. The board has worked to ensure that the new company develops the competencies to be an effective intelligent partner and embeds innovation and extensive employee engagement in its core operations. The partnership's first business plan sets out the short to medium term priorities in the context of our strategic vision and outlines how we will ensure customers are well served with our range of services, our employees are supported in delivering these services, and the impact on our medium term financial plans.

We recognise that, with the pace of change in public services – particularly in the NHS – we will need to ensure that our vision remains fresh, testing and updating it to make sure our

Joint venture company

programme stays relevant and that our new joint venture company is able to thrive and grow and find new partners. Equally, we are realistic enough to recognise that there will be tensions and challenges and new risks that we need to address and resolve.

Too often shared services programmes are “all talk and no action”. In our experience, an investment in the softer side of partnership working is essential. After all, without talk, there will be no action.

Dean Taylor is deputy chief executive of Herefordshire Council and NHS Herefordshire. Eric Bohl is director of the public sector at Activist Group, which advises public bodies on providing services, and was transformation director for shared services for the Herefordshire partners

Five councils combine to improve school standards

Adopting a business case for collaboration between authorities has been the hallmark of raising achievement in Wales, says **Tracey Lee**



Wales, along with the rest of the UK, faces intense competition from the rapid advances made in learning and technology across the world.

The next generation of school learners need to be equipped to compete effectively in this new digital world economy.

The 2009 results of the programme for international student assessment indicate that Wales performs 38th out of 67 participant countries in reading, 40th in maths and 30th in science. That performance is simply not good enough. Educational outcomes are too low and, while performance has improved, it has been at a slower rate than in other countries. Wales has now been overtaken by many others and slipped behind England, Scotland and Northern Ireland.

The loss of educational competitiveness comes at a time of budgetary constraint. We therefore face the challenge of improving outcomes as our resources are being curtailed.

In February 2011, Leighton Andrews, the Welsh minister for education, stated that he wanted Wales to be a top 20 performing country by 2015 and outlined actions aimed at getting more money to the frontline and improving educational attainment. Integration of school improvement services across four existing education consortiums was the most radical proposal.

The minister requires it to happen by September 2012.

South East Wales

The south-east consortium includes Blaenau Gwent, Cardiff, Monmouthshire, Newport and Torfaen – councils which not only range significantly in size, standards achieved but also political make up. The consortiums have worked together for some years primarily to improve professional development.

Anticipating the need to accelerate the pace of change against a background of reduced funding, the councils signed a statement of intent in January 2011, setting out that they would work together to develop a business case for the redesign of education achievement services across the region. This would initially start with improvement services but, over time, additional learning needs would be considered.

This provided a very clear political mandate for the start of an intense eight-month period to produce the necessary business case.

A vision for education in south-east Wales followed shortly afterwards – stating that we want an education service that:

- Achieves the best learning outcomes for all

- Secures the wellbeing of every learner
- Reduces the variation in learning outcomes
- Enhances the learning offer post-16
- Promotes personalised independent learning
- Uses technology to improve outcomes
- Challenges and intervenes where necessary

There was also recognition that this represented a major challenge to our current practice and that, unless we agreed a set of shared values, we would not succeed. Luckily, we found early on that the values we had as separate organisations were in fact generally shared:

- Ensure learner's interests remain paramount
- Work as a team
- Be fair
- Be open
- Respect the sovereignty of each partner

Applying these values – particularly when it comes to the difficult negotiations on the details of the new arrangements is paramount. It was also vital to set out the aims of integration:

- Improve outcomes for learners
- Strengthen school facing services
- Reduce duplication and waste
- Manage efficiently at greater scale
- Target resources for greatest impact

We have now developed a new model of transformational leadership with intensified and relentless focus on outcome data and setting challenging targets. An outline business case and high level operating model have been prepared which are due to be considered by cabinets at the end of September. If this is given the go-ahead, the new arrangements will be effective from September 2012.

So what are the key issues? In getting this far, there have been a significant number of important issues and lessons learned. A few are set out below.

Strong, effective and visible leadership.

Fail here and the proposals will not be driven

through. The south-east Wales project is led by the five council leaders. Although they are from five councils with very different political compositions, they are united in the vision and key aims of the project. At the same time, they are very clear that they need to ensure there is a sound business case which sets out the benefits – both in terms of education improvement and savings. Without this, no matter how committed they are, they will not be able to convince stakeholders of the need for change.

Chief executives are also playing a leading role, which is essential given this is likely to be a major driver for the biggest change to their councils since local government reorganisation in 1996. Cabinet members for education and chief education officers are also fully involved, with the latter redesigning services that will effectively remove a key strand of delivery from them – and, longer term, fundamentally reshape the structure of education services.

Consultation and engagement

The time and resources involved in making this effective should not be underestimated. It has also been important to ensure that the process is meaningful – so, for instance, should we consult on the principle of a regional service if there is a national requirement for this to be established? Is it not better to engage stakeholders in designing the new service rather than arguing about whether there should be one?

The model we are using is to ensure there is an effective plan for when it is appropriate to engage, communicate and consult with stakeholders. We then decided what we should be doing together across the consortiums and what we could do locally within each council. This has meant that we have been able to adapt to local circumstances while keeping the key messages consistent.

Sovereignty versus regional delivery

It is difficult to get the balance right on this issue. We are proposing the use of an arm's length organisation to deliver the services and are developing and refining the roles and responsi-

bilities of the board, commissioners and scrutiny to ensure effective and transparent governance.

There is inevitably concern with any regional arrangement that control will be lost, but accountability is not. We have been very careful to ensure there is a clear scope for what is in and out of the new integrated service, and there is an effective commissioning role within the councils.

Members will still determine overall policy, hold providers to account. Highly contentious areas such as policy on school organisation, allocations and capital programmes for school buildings will remain with each council.

Although joint scrutiny arrangements are possible, it is likely there will be a focus on local scrutiny, certainly in the early days, to ensure every council is satisfied the new arrangements are making a difference to their schools and young people.

Ensuring everyone is a winner

Performance within schools, between schools and between councils is variable, and the model has had to be designed to ensure resources are focused where they are needed. Funding for education in Wales, however, flows through the individual councils and, therefore, ensuring the new service is funded fairly by each local authority has been a challenge. Every council will need to assess the benefits of the new service, not only against their current provision, but also take into account what would happen longer term if they continued to go it alone. Undoubtedly, some compromise is always necessary.

Redesigning other systems

Creating such a system change inevitably means that other linked functions also need to consider how they operate. This includes restructuring the remaining education services within each local authority, redesigning how support services are provided to the new entity across the five councils and what needs to happen to the inspection regime across Wales to keep pace with the new delivery arrangements. This whole system change is essential if we are to create a sensible offer.

Conclusion

The delivery of school improvement services on a consortium basis is likely to be the first step in delivering more education services regionally – however each will need to be assessed through the development of a business case.

So far we have found that most of the issues that arise are not brand new and we can learn a huge amount from previous collaborations – we are certainly not looking to reinvent the wheel. The key is searching out best practice and not being afraid to use it.

Tracey Lee is managing director of Newport City Council and senior regional officer for SE Wales programme for integration of achievement services

A Worcestershire experience worth considering

Combining licensing, trading standards and environmental health at all levels has reaped benefits, argue **Graham Russell**, far right, and **Paul Connolly**



Counterfeit vodka. Loan sharks. E-coli. Bird flu. Contaminated petrol. Overcrowded housing. Foot and mouth disease. What have they got in common? They are all potential human tragedies that can put councils in the national spotlight for the wrong reasons. And they are all issues where local authority regulatory services are on the front line and can make a difference.

Does anyone care?

But as council budgets contract, regulatory services are under disproportionate pressure. Effective trading standards and environmental health services can help prevent bad headlines – and, more importantly, keep consumers and workers safe from established or even newly emerging issues such as the return of slum housing or the recent fatalities from illegal vodka brewing – but these services suffer from political invisibility. We each rely on local regulators as often as once every 10 minutes: but most people think of them less than once every 10 years. And regulatory services don't really affect voting decisions. So they can't really compete with schools or waste collection as strategic and funding priorities.

Set at less than 1% of local authority expenditure, funding for these services is likely to decline further over the next few years. Research

shows budget cuts in 2011-12 of 11.4% in trading standards, double the 5.7% average for local authority budgets. For this reason, local authorities should look at ways of making the diminishing resource go further.

Too little sharing too late?

Shared services and collaborative delivery models are seen as central to achieving efficiencies. Within regulation there is a good track record of partnerships externally, and there are strong examples of integration within authorities, including all the new unitaries. But there are fewer successful shared services initiatives. Those that have emerged include horizontal joint services between unitaries in Halton and Warrington and West Berkshire and Wokingham, and the trading standards partnership across West Yorkshire.

Possibly the most wide-ranging of the current examples is the Worcestershire Regulatory Services partnership, where districts and county councils are sharing horizontally and vertically across environmental health, licensing and trading standards.

The partnership went live on 1 June 2010 and is governed through a joint committee with two members from each council. Activity is undertaken by three operational teams which focus on

protecting the community, licensing and business support and development. Steve Jorden, who has set up and now leads the service, reports that one of the key challenges has been striking a balance between standardisation, harmonisation and local variation, a point particularly important to local members. This is being resolved service by service so, for example, district licensing committees retain their decision-making powers but the processing of all licences is handled by the same team. Where possible, policies and fee structures are harmonised to stimulate economic growth and create a level playing field for businesses across the county.

While staff work locally to get to know their area, they are supported by a core team providing specialist services including animal welfare, contaminated land, noise, product safety and air quality. All staff are authorised to work wherever the need arises, hot-desking between offices in all seven councils. This has required investment in IT as well as staff development. The approach has been based on transforming the way the service is delivered to be more focused on customer and business needs, and Jorden is quick to point out that the model is likely to change even further, exploiting and developing synergies between traditional environmental health and trading standards work.

The Worcestershire Regulatory Services partnership anticipates a three year payback on the initial investment of £1.2m, with annual savings of £1.26m, or 17.5% of direct expenditure, by 2012-13. However, to date Worcestershire remains an isolated example, studied with interest but not much copied. Indeed, apart from Worcester and the other examples above, most of the sharing doesn't stem from the desire to reinvent regulatory services specifically, but happens as a result of more general sharing initiatives, such as the integration of management and service capacity across partnering district councils. This is surprising: at first sight, regulatory services seem ideal for sharing, both inherently and tactically, especially trading standards and environmental health which are perceived as doing similar things except at county and district level.

Is local best?

Perhaps the lack of progress is in part explained by differing views over the place of these regulators within local authorities. Since the seminal Hampton review in 2005, their position as a council function has attracted some controversy. Critics argue that local enforcers discharge largely national obligations and that locally decided funding mismatches costs and benefits and leads to inconsistent practice and standards. Businesses have been especially vocal on this point. Others suggest that it is this local presence and the dual loyalty (to the councils that employ them and the laws they uphold) that make local regulators sensitive to local issues and proportionate in their dealings with the local businesses who are the engines for local regeneration.

There is something on both sides of these arguments. There is no doubt that local knowledge aids the discharge of regulatory services. Equally, businesses that operate across the country struggle to deal with the variation inherent in a system with 433 sovereign service delivery points.

Shared services seem to provide a mechanism for squaring the need for both consistency and local presence, while crucially addressing the issue of constrained resources. But if councils have, so far, missed the shared services boat, do they, with support from regulatory professional bodies, now need to be more radical when considering whether this approach might offer benefits? If so, we suggest that the reforms, which need to be locally developed to be sustainable, should be underpinned by three principles.

1. Who buys, who delivers?

The first principle is "right level" commissioning. Local presence and tailoring is vital for effective local regulation. But local presence and the local employment of officers are not the same thing. For example, a group of authorities could pool their regulatory workforces. For aspects that are common to all, they could pool funding. However, for many services, the authorities would remain budget holders – and could even devolve some money to locality bodies (neighbourhood boards, parishes, etc). These could buy bespoke

Regulatory services

packages from regionally shared capacity.

Pooled capacity and, where appropriate, common service approaches, help deliver economies of scale. But buying specific services by localities reflects the dynamics of localism, sovereignty and the need to tailor services appropriately to get things right first time. This purchaser/provider dynamic can foster sensible discussions about need, priorities and service pricing, encouraging councils to engage with their communities and businesses on the service mix they should buy.

2. What is delivered?

Second, local regulatory services should focus on outcomes. Resources are contracting, but expectations are rising. Articulate consumers demand more. Vulnerable citizens are increasingly at risk when incomes are reduced and they are forced to cut corners. Businesses, the "customers" of most regulation, demand less red tape and more sensitive support, adapted to their needs. Input-based service planning which values, say, inspection numbers, cannot meet these requirements and is expensive. Regulatory services should identify consumer and business concerns and develop the best options to address them. As Worcestershire has shown, this will require solutions adapted for various outcomes. And, since these concerns often span the interest of more than one regulator or local authority, this will benefit from collaborative responses.

3. Will anyone else pay?

The final principle might be exploration of a degree of commercialisation. Local regulatory services have proved successful in income generation but have been inhibited by real or perceived issues of legality or regulatory capture. Some progress has been made through the statutory protections provided through primary authority, which gives companies the right to form partnerships with local authorities for provision of robust and reliable advice. Local authorities can develop products that are commercially saleable, including some that are linked to, but might exceed, day-to-day statutory responsibilities. This broad approach could be extended to allow

regulatory services to exploit more commercial opportunities, which would go with the grain of the coalition's regulatory reform agenda by recognising businesses that have proven records of compliance and allowing regulators to focus on rogues. The ability of local authority services to exploit these opportunities will be enhanced where they collaborate, freeing capacity to support research and development and marketing.

What does it look like?

One radical solution that combines commissioning for outcomes, commercialisation and capacity sharing that includes the involvement of umbrella bodies is mutualisation. This approach offers one way to balance local presence and issues of scale. Local regulators need to be on hand to help prevent the kind of incidents that have a tragic impact for citizens and consequently damage the reputations of councils. But to be on hand at all, they have to exist. Moves towards the productive scale and commercial viability of a mutuals network, supported by the professional bodies for regulatory services, might help remove the risk from vulnerable, isolated local services, without destroying local flexibility and tailoring.

Where now?

The drive for efficiency and effective regulatory services has not led to much formal sharing across local government. We have argued that demand pressures and resource constraints will necessitate further change if councils, and those they serve, are to be protected and opportunities to support growth are not missed. If the time for caution is now past, perhaps local regulators, councils and professional bodies should consider establishing a system of medium-sized local authority regulatory structures, comprising shared services, mutuals or other social enterprises.

Graham Russell is a former local authority regulator and is now the chief executive of the Local Better Regulation Office. Paul Connolly is an independent consultant who worked on the Hampton review of regulatory services

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In a vast network, how do we make sure we're all in step?

Willing compliance in central government is vital, argues **David Allen**, but ultimately it's about building good relationships and trust



Fuelled by the need to reduce the deficit, we are increasingly looking to larger and more radical solutions that allow us to work smarter, be more joined-up and significantly reduce our operating costs. Across government, we recognise large-scale shared services as the modern way of providing great services with great processes.

The Department for Business, Innovation and Skills is one of the largest departments in Whitehall, particularly when our partner network (of 50-plus organisations) is included. This affords us opportunities for sharing services – as well as a number of obvious challenges for such a large and diverse group.

We have a cost imperative, but shared services to me is about creating arrangements that add value to clients and clearly demonstrate a worth that is greater than its costs. Looked at in this way, it is not an overhead – it should be seen as an active change agent for the department.

Why now and why not earlier?

We have already had success in sharing services across internal audit, estates and knowledge and information management (among others), but the next phase of work takes on the challenge of looking at our finance, HR, procurement and grants administration. To make the efficiencies

we need, we know that it is not enough simply to look at our core department – we need to work across our partner organisations as well. This has necessitated a huge shift in our relationships, moving away from the traditional parent-child approach of bilateral arrangements, and moving to true partnerships across the network.

Our challenge to reduce our back office admin costs by around a quarter further fuels the need to make strides on shared services. Additionally, the Treasury has recently made departments responsible for admin costs across their networks – in a single admin budget. This move to managing our admin budgets as one has facilitated this relationship shift and has created the right opportunities to pool resources and work together to transform the way in which we do business.

Our department is a recent creation, and its predecessors have experienced many machinery-of-government changes. While this has made us flexible, it has so far inhibited large-scale integration. It is this we must address, mindful that future mergers and acquisitions will occur.

We are blessed with well-run, professional partner organisations, and a huge amount of talent within. We have good access to well-established Oracle systems and opportunities to leverage these across the network. However,

most of our partner organisations have their own disaggregated back office functions which present barriers to sharing knowledge, information and data, resource and best practice. New requirements from government on consolidation, reporting and transparency have made the need for quality, consistent, well-defined end-to-end information flows even more crucial.

The right framework

Shared services should never be considered in isolation – the key is to look at the entire end-to-end process from a value-for-money perspective. Our approach is to focus on client-side change management. To support this we have created a corporate services executive of the main corporate services functions, with directors drawn from across the department's network responsible for delivering change and transformation. We have broadened our governing board to bring in a wider set of people with shared service strategic insights, rather than focusing solely on customer and owner representation.

As the business department, we have found that leading private sector businesses have been more than willing to advise and give us practical help, providing excellent wisdom to complement the input we get from paid advisers.

What do we want, and how will we get it?

Our vision for our services is “simple services that release cost, create real value and enable our businesses to focus on making a difference in their main purpose”.

- Cheaper – reducing cost of provision through consolidation
- Simpler – by standardising and simplifying common processes
- Better – developing a strong and sustainable capability deploying a high level of professional and technical expertise, customer service to provide a high level of corporate service.

To turn that vision into a reality, we developed a strategic business case for 32 partner organisations in scope over the four functions of finance, HR, grants administration and procurement. We evaluated the key options available to the

department ranging from “do nothing/minimum”, “building a new shared services centre from scratch”, “outsourcing” to “leveraging the current asset in the network”, notably the Research Councils UK shared services centre (RCUK SSC).

As the options were fully appraised it became clear that the preferred option at this stage was to leverage existing assets of RCUK SSC as our analysis has shown it to be a very valuable platform which could be leveraged to benefit the whole network. This would also enable the company to reduce its cost base through greater economies of scale and more users, and fewer standalone IT platforms – and therefore offer greater value for money. It is the only platform in government to operate on Oracle 12, enabling us to avoid expensive upgrade costs.

In addition, market soundings told us that if the private sector were to provide this service, this would also be their starting point. We could ensure that RCUK SSC would fully meet the needs of the department and all our partner organisations, which may not have been the case from another provider in government. Not to mention that it already provides services to 12,000 of the 27,000 staff across the department's partner network. It also has a very effective strategic procurement function which we believe is in line with upper quartile performance in the private sector, as well as the unique inclusion of grants administration. As £17bn of grants flows through our department and its partner organisations, this is a significant part of our business.

The efficiency reform group (ERG)

The Cabinet Office recently launched its cross-government strategy to define and develop a small number of accredited independent shared services centres for the whole of central government to use for back office services.

We are working very closely with the ERG to build and fit RCUK SSC within a coherent cross-government shared services strategy and to support the group in meeting our over-arching objectives. To ensure that we are aligned with

the strategy, we have a representative from the group sitting on our shared services programme board.

The group's strategy flags up five important lessons which it hopes will underpin implementation across government. We are already bringing these lessons to life in our programme.

One key element is how to make it compulsory effectively. For us it's about "willing compliance, not defiance". We have worked hard to create partnerships and build relationships based on goodwill, trust and a need for clear direction.

We recognise that we need to be realistic about what can be achieved – particularly concerning the change management of clients and complex enterprise-resource-planning systems. We are in an advantageous position of being able to learn from others' mistakes, but we need always to be open to learning.

Lessons from ERG

We are fully supportive of the new efficiency reform group strategy. Outlined below is how we have tried to tackle the core concepts within the context of practical delivery.

- Independence is important to give incentives for a better quality of services at a low cost.
- We are agreeing a transition road-map to fully independent, stand-alone shared services.
- We will ensure that our shared service centre has the right split between customer/supplier within its governance and commercial model and the appropriate charging mechanism to encourage commercial behaviours and client compliance to ensure efficiencies of service.

Delivery of shared services is not a core government skill, and bringing in operational and commercial expertise is vital to improving current capability. We recognise the challenge and are seeking a strategic relationship with a private sector partner or supplier to bring in leading-edge technology and process improvement.

Our programme already has private sector expertise informing and advising on the direction of travel, and we are really benefiting from this practical experience.

On-boarding to a bespoke service can be

expensive, and issues on charging between public organisations can act as a barrier, eg, smaller organisations need an affordable solution. The service offered will be standard, and there will be no bespoke processes. A process office with design authority will be established to oversee decisions on the standard processes.

We are aware that smaller organisations cannot afford complex enterprise-resource-planning systems and recognise that we need to approach this sensibly and develop a long-term solution for our smaller partners.

Shared services covers key components that influence cost that require standardisation – infrastructure, IT platform, enterprise-resource-planning solution, business change, business processes. The focus for our work is on end-to-end process optimisation, common policies, common infrastructure, and a robust IT strategy. We recognise that shared services are only a part of this.

We need to exert strong influence on end-to-end process owners for the department and beyond. Our new corporate services executive will support us in doing so.

Our priority will be to define what is required of our retained functions and have a way to monitor performance and align our requirements against this to ensure we are achieving value for money. Strong governance is essential, and efficiencies gains are proportional to the level of enforcement in the use of shared services. Very clear and strong governance of programmes and projects will be fundamental to its success.

We are linking the functional design authorities and the business to the shared services project to give us a fit-for-purpose solution.

In government, we have an extra dimension of wider ERG, Cabinet Office and Treasury requirements. There is a significant benefit to be achieved through better integration of the various central government controls and reporting.

David Allen is director of finance and shared services at the Department for Business, Innovation and Skills



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A social enterprise aimed at a better deal for young people

Two councils combining children's services was not as straightforward as expected.

Gillian Norton, far right, and Bruce McDonald explain



There were a number of spurs to the emerging joint children's service between the London boroughs of Richmond and Kingston. The first, inevitably, was the straitened circumstances in which all authorities find themselves. Yet, as we know, that has failed to herald much in terms of merger activity other than in district councils.

What has played strongly into the success of this work has been Kingston's strategic shift over some years towards becoming a commissioning council, coupled with Richmond's new administration, elected in May 2010, adopting a commissioning model. Geographical proximity, with school populations moving both ways across the borough boundary, similar socio-economics and the fact that both are high performing authorities provided a positive context.

A long history of collaborative working through the South London partnership – a voluntary grouping of the two boroughs – along with Merton, Sutton and Croydon – also helped. Combining a service felt like working with known and trusted colleagues. So the politics, though different – Conservative Richmond and Liberal Democrat Kingston – did not get in the way. Both leaders were clear that the benefits to residents were compelling and therefore gave the proposition their support.

The scale of the challenge

There is a tendency for eyebrows to raise when it becomes clear that children's is one of the three services the councils are seeking to share. The others, HR and audit, seem "manageable" in comparison, and it is true that there are some very knotty problems to be tackled, some arising from the ambition to be genuinely innovative and others from the nature of children's services.

When you add these to all the other more obvious challenges of shared services and commissioning – the differences in the culture of the two councils, staff fears and aspirations, the very different structures, which IT and finance system should the shared service adopt (Kingston's, Richmond's, neither?), what kind of specification and contract we need and how do we set about creating that, and so on – you begin to get some sense of the scale of our challenge.

Initially we have kept governance light: a monthly programme board comprising the two chief executives and the two directors, with a project board sitting underneath it. With hindsight, this was probably too light and, as chief executives, we now need to do more jointly to ensure progress is maintained.

The task feels a bit like those carriages you see being pulled by two horses at great speed. There

needs to be constant, firm steering from the drivers and we have to ensure the various constituent bits – the carriage as well as the horses – are working at their most effective and in unison. This is not easy given the range of a chief executive's responsibilities, but close working between an individual chief executive and his/her director in each borough is not enough.

A complex solution

One of our first ideas was to create a company to deliver the new shared service owned initially by both councils as a social enterprise, which could also trade. But, in short, it can't trade – which was a major disappointment. Because we have high performing services, there are councils, schools and academy organisations keen to buy from us; and we are keen to reciprocate. It would better enable us to maintain a skilled staff base and minimise redundancies and associated costs.

Moreover, we have a strong belief in the power of a social enterprise company to innovate and help re-define the public sector in the new world order where public funds are constrained and society expects more for the taxes it pays. We have therefore developed a model of the councils-owned company as a social enterprise. It is called Achieving for Children and delivers all children's services for the two councils alongside a privately owned social enterprise trading company set up by senior staff. There will be a highly structured and transparent partnership agreement between the two, which will govern the use of staff from Achieving for Children by the trading company and the consequent monetary benefit to the former. This will provide funding for elements of service that might be at risk as both councils' children's services budgets reduce.

The question of whether the directors of children's services should be in or out of Achieving for Children is another thorny issue. Commissioning probably forms less than 15% of the director's role. Richmond is clear therefore that the director goes with the services into Achieving for Children, although we recognise all the issues about how to ensure effective commissioning when the main expertise lies "outside". The di-

rector will also devote some time to the separate trading company. Kingston prefers to let the solution emerge from the detailed work. There are those who cannot conceive of the statutory director role other than in a council, but there is no legal impediment and, once explained, the Department for Education has been supportive.

Thorny issues

The issue which is possibly the most challenging to date is how we construct a future where Achieving for Children is able to manage demand-led services without simply passing a bill on to one or other council and how we enable the sponsor councils to understand that they are bound to the specification – or must live with the financial consequences. This requires us to establish the structure of the company in such a way that it has appropriate influence in relation to schools. Schools are, in effect, the biggest and most effective preventive service. The company has to be able to work with governors and headteachers, particularly in relation to children with special educational need and behavioural problems. It also requires an acceptance from the commissioner that preventive services cannot be reduced in an unplanned way to cope with a particular financial problem. Of course, they never could really, as the cost always appeared in the council's books at some point downstream. In our new world, the additional cost would appear immediately through the contractual arrangement.

Prognosis

So far no one has had to really compromise on anything very much; that time is about to come. We have to ensure that our original vision, so clearly set out and widely supported, holds firm. Or, to return to the earlier analogy, that the carriage and horses get there, certainly not in the pristine condition in which they set out, but stronger and more durable for what they have been through.

Gillian Norton is chief executive of Richmond in south-west London, and Bruce McDonald is chief executive of neighbouring Kingston upon Thames

Don't be seduced by savings: it's all about better services

The needs of communities should count as much as economic considerations, argues [Fraser McKinlay](#)



What does the phrase shared services mean to you? I ask because it seems to mean different things to different people. Activity on shared services has provided a focus for considering efficiencies, and it's been useful to have a starting point, but there is now a need to move further forward with reshaping public services.

The financial position of public services in the UK is well documented, but the pressures in coming years may prove to be even more problematic than shrinking budgets. Scottish councils are facing an ever more challenging environment. And in the health sector, while funding has continued to increase, the NHS in Scotland is facing increasing cost and demand pressures.

Given this context, it is essential for public bodies to think differently about how services are delivered. Now is the time for more radical thinking, for innovation and reshaping public services.

Shared services are already a feature of Scotland's public services landscape. An Improvement Service survey in 2009 gave more than 2,000 examples of shared services in 27 councils – and this will by no means be exhaustive.

At national level, there are examples such as the Scottish Police Services Authority, which delivers IT, forensic and other services on behalf of the eight police forces in Scotland, and we have

NHS National Services Scotland, which provides health and business support services to the NHS across the country.

And that's even before we get into some of the interesting initiatives at local level: for example, Stirling and Clackmannanshire councils sharing heads of education and social services, and East Lothian and Midlothian councils working to combine their management and support functions for education and children's services.

One of the most significant recent shared service initiatives in Scotland has been the comprehensive review led by Sir John Arbuthnott in 2009 on behalf of the eight councils in the Clyde Valley partnership. This considered opportunities for collaboration across many services. Having commissioned the initial review, the councils have been working on detailed business cases for each of the areas identified, and the expectation is that final decisions will be made by the end of September 2011. Specific proposals include a back office shared services agency covering seven councils, which is aiming to deliver up to £30m savings a year after five years. This is an important project, and the councils deserve credit for helping it progress, but it also demonstrates the complexity, the length of time it can take and the political realities of trying to deliver a project on

this scale. It is also worth remembering that the total combined budget of the councils involved is somewhere around £6bn.

So while shared services initiatives are designed to deliver improved services at reduced cost, it is also clear from experience that they are not a quick fix, nor are they straightforward to introduce. As Audit Scotland said in our latest overview report on local government in Scotland, "sharing services offers potential for efficiencies. But progress to date has been slow and is unlikely to yield substantial short-term savings."

As well as progress being slow, shared service initiatives have not been radical enough. Much of the analytical work has tended to focus on support functions and the problems with existing processes, or on improving existing services within a specific sector or organisation. Many Scottish councils have spent a lot of time and resources in recent years completing diagnostic exercises to ascertain where the best opportunities lie for cost savings and sharing services. In so doing, they risk becoming over-involved in the detail, losing momentum and losing sight of the big prize that comes from fundamental service redesign.

The problem with much of the narrative around shared services is that it tends to focus too much on the solution as an end in itself rather than a means to achieving better outcomes for service users and residents. As the Christie commission on public services in Scotland said, the public sector needs to collaborate more effectively to deliver improved outcomes and provide a greater focus on prevention, rather than cure.

One of the barriers to achieving this has been that "traditional" shared service projects, particularly those involving the back office functions, have at times required some participants to sacrifice something for the "greater good". One such initiative a few years ago involving five Scottish councils eventually floundered because one of the parties would have, in its view, ended up with a less efficient and effective service than it already had. This was a hard proposition to sell, particularly to local councillors who would have

had to explain to their constituents why they had signed up to a project that would bring greater benefit to neighbouring council tax payers. There is also the difficult issue of jobs being "lost" from one area, to the benefit of another.

So far, the needs of communities have tended to get lost in the shared services debate. There's been too little consideration of how public services can collectively better meet the needs of their communities and what part communities (and their resources or expertise) can play in improving services and the quality of life for local people.

Public bodies now need to engage more actively with communities to involve them in designing and reshaping services. Partnership working will be even more important to the next phase of public service delivery. Individual organisations need to strengthen and develop their partnership links and move to delivering services together. It means fundamentally rethinking what future services are required and how best to deliver them.

So, the key question for public services is not whether we can share services or not; it is to ask how we can better deliver services together so that people in our communities experience the best possible quality of life.

Using this as our starting point – a focus on prevention and community benefit – should make it easier to consider more radical service redesign. And, importantly, a focus on doing things better for our communities helps to answer the question "What's in it for me?", particularly for political leaders. A clearer focus on doing things better for our service users and communities will allow people to come up with better ways of working that ultimately benefit the service user, the service provider and the taxpayer more widely.

Fraser McKinlay is director of best value and scrutiny improvement at Audit Scotland



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The Public Leaders Network provides intelligence, analysis and best practice for leaders delivering today's public services, and works in partnership with those representing senior managers across the whole public sector.

Since we began, we have worked with the Solace Foundation Imprint to raise many issues, and one thing remains clear: the need for clarity, information and top-level debate about government

policy and practical, day-to-day measures that affect us all.

The Public Leaders Network is the flagship website within the Guardian Professional Networks, a matrix of sites aimed at professionals, with a unique mix of high-quality editorial content, comment, readers' views and blogs.

At a time when there has never been greater pressure on senior managers, we provide a space for considered and thoughtful debate. So do come and join us today - and join up for weekly summaries of policy and management.

Jane Dudman
Editor PLN

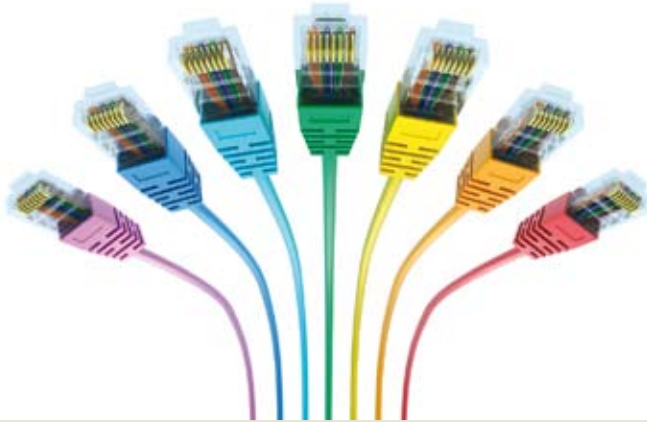
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