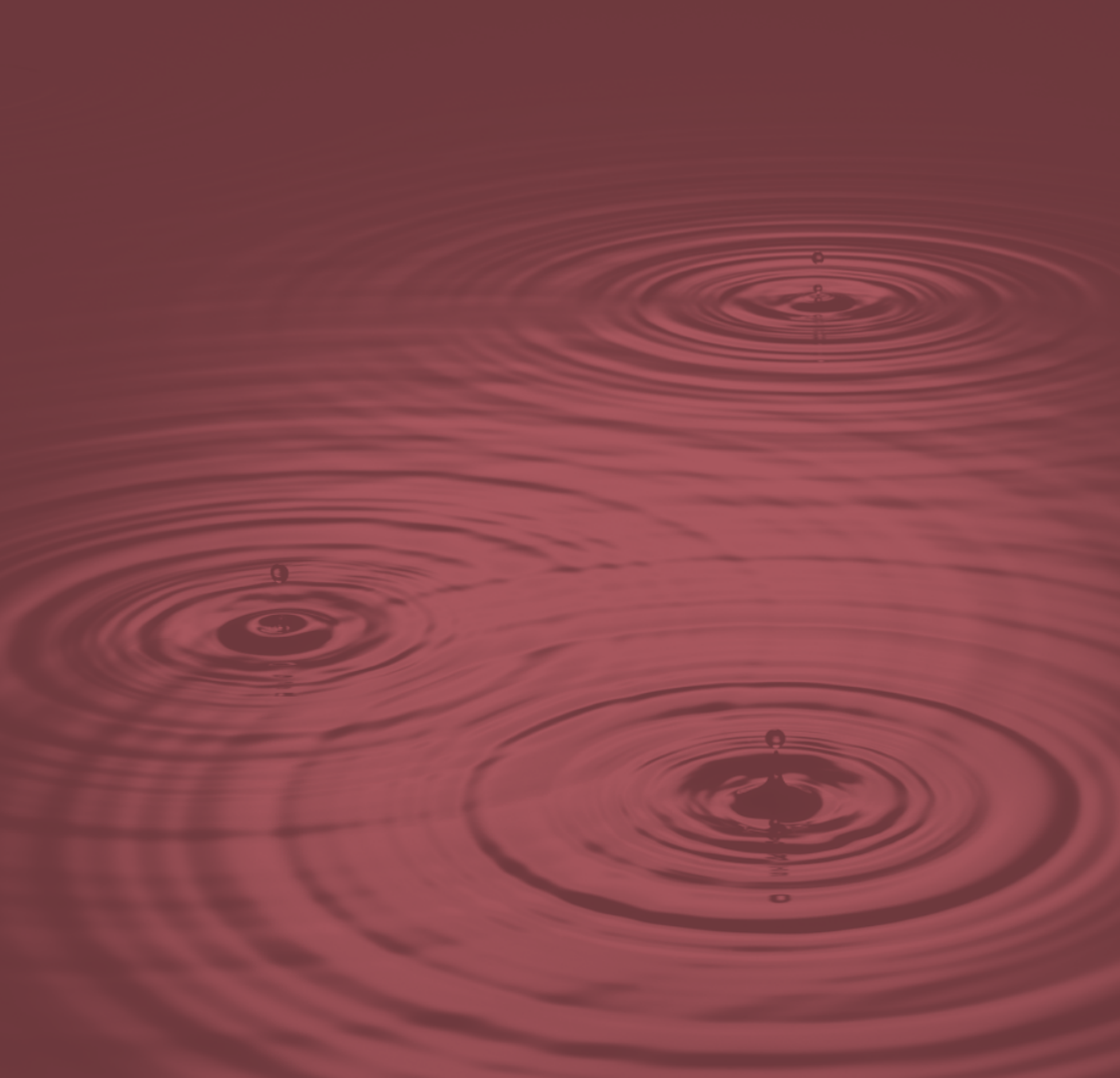


The Politics of Shared Services

What are the underlying barriers to a
more successful shared services agenda?

Anthony Brand



The New Local Government Network (NLGN) is an independent think tank that seeks to transform public services, revitalise local political leadership and empower local communities. NLGN is publishing this collection as part of its programme of research and innovative policy projects, which we hope will be of use to policy makers and practitioners. The views expressed are however those of the authors and not necessarily those of NLGN.

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Tel 020 7357 9420 · Email info@nlgn.org.uk · www.nlgn.org.uk

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About the author and acknowledgements

Anthony Brand

Anthony Brand is a Researcher at the New Local Government Network (NLGN) and has responsibility for working across the think tank's research programme. Anthony joined NLGN in June 2006 having previously worked at the UK office of Research International. Prior to that he worked in a boutique research agency in Norfolk.

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Foreword

It is increasingly becoming the case that citizens care more about how a service is delivered than who delivers it and that public expectations of what will be delivered are becoming more demanding. The motto 'what matters is what works', coined when Best Value was first enacted, remains true almost seven years later.

This report looks at how the delivery of local public services can be shared between authorities whether by public or private sector agents. It also analyses the main contributory factors as to why, despite the adoption of the Gershon efficiency agenda, shared local public service delivery is still not widespread.

There have been too many critical press reports in recent years of public sector procurement failures. However, this report cites some real working case studies of operational shared service delivery partnerships explaining the principal challenges that had to be overcome as well as the ingredients that led to their success.

Shared services could in many cases be an important method to enable local government to meet increased citizen demands for better quality, cheaper and more accessible public services and to achieve cost efficiencies. The former will become even more significant with the tougher, more streamlined Comprehensive Performance Assessment regime, the latter more pressing following lower local government settlements likely to result from the 2007 Comprehensive Spending Review (CSR07).

To date, there has been some joint procurement of shared services particularly in 'back office' services and business processes (something which I have personally experienced through the shared service transactions I have advised on in my 'day job' as a lawyer but which is also eloquently illustrated by the case studies in this report). However, local authorities have not embraced the opportunity of shared service delivery as enthusiastically as the Government had perhaps expected.

In my view, and as evidenced in this report, the take-up of shared services has been inhibited by a number of underlying cultural and political factors specific to

local governance (not just local government but also, to an extent the health sector as well, in my experience). These inhibitors include:

- a relative lack of financial incentives for neighbouring authorities to procure jointly;
- the lack of incentives or rewards for the successful local authorities to consult, share experience and work with their under-performing colleagues;
- a historic misunderstanding by local government of the private sector's motives and capacity and vice versa, which is now dissolving in parts of the public and private sector where they have had successful joint working;
- the need for a clearer and more coherent view of how sharing of services can be implemented across local and central government;
- a misapprehension that shared delivery of services is incompatible with local choice or local economic development;
- the lack of a comprehensive and widely used pool of resources and good practice for authorities to draw upon; and
- failure to consult widely and honestly with members and staff within the organisations implementing shared services and being 'up-front' about potential challenges and how they can be overcome.

The report has particular relevance in the light of the The Department for Communities and Local Government's (DCLG) White Paper and proposals for virtual unitaries. We hope you enjoy reading it.

Helen Randall

*Chair of the New Local Government Network
and Partner, Trowers & Hamlins*

Executive summary

Shared services can help government and local government deliver better, more joined-up and cost-effective services. The Shared Services Forum claim that local government could save £40bn over ten years by achieving the gains from back-office shared services that have been enjoyed in the private sector. Citizens would benefit from more diversity across services. Yet the adoption of shared service solutions remains patchy.

This report analyses why take-up of shared services in local government has been slower and less extensive than expected. It identifies the core underlying political, and cultural and environmental obstacles to the agenda and offers recommendations for how to take it forward.

Local government is seeing increasing demands on its services. Citizens expect to receive modern, efficient, seamless and innovative services in line with their experiences in other areas of life. But recent increases in local government funding have not resulted in proportionate increases in productivity or customer satisfaction. Government and the private sector are arguing for greater use of shared services across local government to help address some of these issues. If shared services were implemented effectively and comprehensively across the sector they would deliver cost efficiencies far beyond those required by the Gershon Review, transforming the way services are delivered. The 20 per cent savings projected from sharing back-room services¹ would meet the expected challenges of CSR07 and most importantly, citizens would benefit from more joined-up, efficient and dynamic services.²

This vision is far from realisation. The concept of shared services has existed in the public sector for some time with relatively few signs of success in local government. Councils remain unconvinced of the merits of shared services and unsure how to make it work for them. This research hopes to better understand why this is the case and what obstacles have been preventing shared services

¹ iMPower (2006) *Share now or pay later*

² Cabinet Office (2006) CIO web pages - *Shared services in Government*

achieving more for local government. Two core questions emerge from a wider review of existing literature which address these issues:

- **What are the particular barriers which face local government on shared services, particularly in back-room processes?**
- **What prevents partners working together and sharing effectively?**

To answer these questions, NLGN conducted a range of case studies and interviews across local government and other stakeholders in England and Scotland. The findings offer new perspectives on shared services and new subjects for debate. In particular, this report focuses on those factors not recognised in existing research or change management models; those factors which are specific to shared services in a local government context.

The findings that emerge from this research are divided into three sections:

1 Internal challenges What factors and attitudes must be in place throughout an organisation that will create an atmosphere conducive to successful shared services?

2 The wider context What is the wider environmental and policy context in which shared services and local government decision-making must take place? How do these pressures impact on the shared services agenda?

3 Relationships How do authorities choose partners with whom to share, how do they interact and what challenges do they face in sustaining these relationships?

The report addresses each area in turn. Below is a summary of the key conclusions and recommendations within the research.

1 Internal challenges

- The goals of shared services operate above party politics but pressures remain around electoral cycles and building support and understanding among members.
- Politicians remain wary of giving up direct control of services. This includes concerns over balancing service flexibilities with standardisation and economies of scale.
- Local government staff see shared services as a threat to their jobs, the public sector ethos and the services they deliver to the public.

- Managers also show concern over redundancies and loss of influence. There is some difficulty in getting professional agreement on the best practice to use in shared services and limited resource to dedicate to developing projects at an early stage. This can create negative internal lobbying forces.

Recommendations

- **A citizen-centred approach** to transforming public services minimises the arguments against shared services.
- **Working across political parties** helps build strong support, minimises political opposition and makes projects more resilient against political changes. Do not present it to members as an afterthought but take the time to win their support. Give them the time, space and information to really question the process.
- **Do not avoid difficult conversations.** An open and consultative approach allows a full and frank discussion around the future of services. This engages and reassures stakeholders, building on local government expertise to create better services.
- **Make it real for people** by making more of those projects already functioning, encouraging first-hand experience of shared services.

2 The wider context

- Apprehension around local government reorganisation remains a central barrier to effective sharing of services.
- The shared services agenda in England is seen as less coherent than that in Scotland. Authorities are unsure what the best way to take the concept forward might be.
- The absence of a wider strategy leads to projects developing in silos with little regard to each other. A more flexible, compatible, long-term shared services network is required.
- There is insufficient documented evidence that shared services are effective within local government. There is no agreement on the central point from which authorities should extract this evidence, no incentive for producing it and nobody at a local government level is seen to be taking the lead to ensure this issue is addressed.

- There is little incentive for authorities already doing this to consult with and help develop other under-performing authorities.

Recommendations

- **Create clearer incentives** for successful local authorities to consult on shared services and share systems and expertise with others.
- **Learn more from local government successes and failures** by developing a well publicised and detailed bank of local government case studies with incentives for authorities contributing to and utilising the work.
- **Support shared services more within the local government family** with a clearer role for the Local Government Association (LGA) and the Convention of Scottish Local Authorities (COSLA) in championing the agenda with its own strategy and targets.
- **Develop a more coherent, long-term shared services strategy** with measurable expectations and clear, time-bounded goals across local government. The strategy should also ensure shared service systems are joined-up in pursuit of a long-term, flexible and dynamic shared services market. Private sector suppliers should also be penalised for insisting on closed and incompatible systems.
- **Make a decision on reorganisation** giving councils a fixed period in which to prove that collaboration can deliver effective, joined-up, cost-efficient services which guarantee their independent status.

3 Relationships

- Geographical proximity is the most common and effective basis on which to develop a partnership because it is conducive to trust, open discussion and shared understanding.
- Size and power imbalances between councils can undermine effective working relationships.
- Tensions exist between private and public sector partners:
 - the private sector can perceive local government as impractical, uncommitted and unnecessarily protective; and
 - local government sees some private sector suppliers as inflexible, unwilling to compromise and unable to understand the complexities of local government and public services.

Recommendations

- **Build relationships on solid foundations** by being open up-front about goals and creating a commonality of vision and attitudes. This requires flexibility from all partners.
- **Factor in power issues** by ensuring governance and decision-making structures are sensitive to differences in size and regional power.
- **Form authority clusters** within which shared service ventures can be developed, building momentum, resilience and choice around the agenda. Progress on the City Regions agenda could drive this cluster approach.
- **Develop a clearer matchmaking role for Centres of Excellence**, one which is more widely accepted and utilised by authorities and more pro-actively addressed throughout all regional centres.

1 *Introduction*

Shared services are a relatively new idea within government, developed in the private sector over the last three decades and now starting to make waves in the public sector. Central Government are using Gershon and the Efficient Government agenda to push for greater cost savings across the public sector. Shared services are seen by Government and the private sector as a key tool for delivering these savings.

There are still only a few examples of completed shared services projects in British local government. However, the Shared Services Forum has estimated that councils could save £40bn over ten years by sharing back-room processes; cutting spending in this area by up to 20 per cent. When successful, shared services are also an effective way of creating better, more joined-up and resilient public services.

Given these facts, this report looks at why they have not been more widespread in local government. The report begins by looking at what shared services are, where they have come from and what they mean for the public sector. Chapter two describes the recent policy environment driving the shared services agenda and the reasons it has now come to the fore. Chapter three briefly outlines what shared services are, how businesses use them and what they could mean for local government.

In chapter four we then look at the extent to which shared services have been embraced by local government to date. Despite its high profile in local government circles the number of successful shared services projects remains fairly limited even in those back-room areas perceived as less contentious (e.g. HR, Finance and IT).

This leads us to the central theme of the research. What is holding the programme back? What barriers exist to the take-up and implementation of shared services and what should stakeholders be aware of when they are implementing them? Work produced to date on shared service barriers has focused on organisational capacity for change, business transformation models and change management. This report takes a different tack, looking more

specifically at the local government world and the political, social and cultural barriers which prevent councils working towards shared services.

The case studies in chapter five are designed specifically to draw out the underlying pressures on shared services. Section five outlines each study, why they were chosen and what we can learn from them. Based on two central research questions, the cases look at what drives each project, what challenges exist and how stakeholders overcome them.

Chapter six analyses the implications of the case study findings for shared services and organisations considering the approach. This analysis provides readers with the context and landscape in which shared service projects exist and decisions are made. The analysis highlights what happens to shared services when implemented within local government. It reveals key milestones in the development of projects and potential obstacles that stakeholders should be aware of. Particular attention is paid to highlighting the pressures exerted on decision-makers, what sustains joint-working relationships and how the path from idea to realisation can be made smoother.

The analysis is divided into three areas: internal challenges for an organisation; wider environmental and policy factors; and issues around shared service relationships between organisations. Each of these sections leads to suggestions for better ways of working towards shared services. These proposals highlight the attitudes, approaches and wider policy environment that would encourage greater take-up of shared services in local government.

Finally, the conclusion briefly summarises the themes and recommendations throughout the research, offering three broad proposals that can help take the agenda forward.

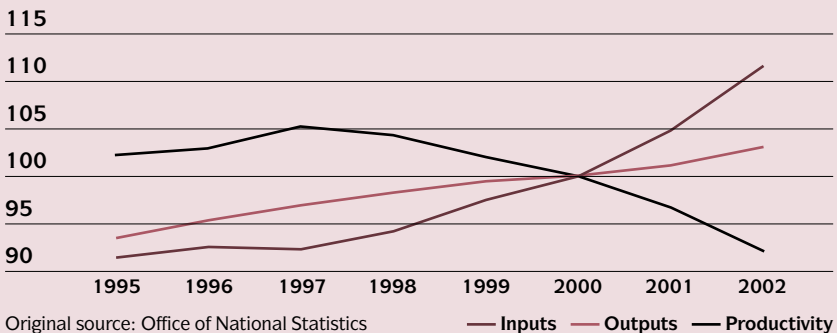
2 Why here, why now?

Why have shared services become such a popular topic in government, locally and nationally? Why is it important to look at this topic now and what does it mean for this research?

Shared services developed in the 'private sector' but have since been adapted by governments in Canada, USA and Australia and offer an opportunity to meet the demands of Labour's public services reform programme. *Transformational Local Government*, published in March 2006 by the Cabinet Office, committed local government to the use of ICT for improving government, and explicitly recommended shared services as an efficiency tool.

The key driver of shared services in the UK public sector is an increased focus on government efficiency. Funding for local government has increased in real terms by up to 39 per cent since Labour came to power in 1997 (DCLG Financial Review). As the figure below shows, these increases have not resulted in a proportional rise in the productivity of local government.

Figure 1 Public sector productivity



Source: NLGN (2006) *Made to Measure*

Higher levels of funding are coming to an end with CSR07. With local government receiving 75 per cent of its funding from central government the onus has been firmly placed on councils to make better use of the resources they have. In 2004 Sir Peter Gershon's Treasury-commissioned review of public sector

spending required government to find efficiencies to the value of £20bn by 2008 with local government savings accounting for roughly a third of this (£6.45bn). Half of these savings were expected to be 'cashable' (measurable financial savings able to be re-deployed), and half 'non cashable' (increased outputs and service improvements). A key recommendation for achieving this was the use of shared services to improve efficiency in public sector back-office, procurement and transactional services.

The benefits of doing this are expected to be huge. The savings potential of fully introducing shared services across government HR and IT services alone is estimated at up to £40bn over ten years (Shared Services Forum and Advisory Group).

'Government HR and finance services alone cost £9bn more each year than private and public 'best-in-class' benchmarks. Many commentators reckon that 20%-30% staff costs could be shaved off the public sector's corporate services if managers were more willing to share.'³

But the shared services agenda is not just about money. As the case studies in this research confirm, other benefits include improved service levels, more opportunities for staff, greater service resilience and easier access for citizens to more joined-up services. Shared services can also deliver better benchmarking, better quality of information and data interrogation for strategic policy development. This provides a base for better targeted and better informed local decision-making.

Sharing is an important tool for developing services from a truly customer-centric viewpoint. As the White Paper details, authorities and local partners will increasingly have a duty to work together across boundaries to address cross-cutting issues and empower local citizens.⁴ Shared services are one way of bridging gaps in provision and providing more seamless services tailored to individual citizens.

'Citizens are unclear about and uninterested in organisational boundaries. They often experience public services as fragmented and inconsistent, leading to poor perceptions, frustration and, occasionally (as at Soham), catastrophe... fragmented service provision is also

³ Hirst J (17 Feb 2006) article in *Public Finance*

⁴ DCLG (2006), *Strong and Prosperous Communities*

potentially inefficient for public service organisations. They may duplicate activities and infrastructure and miss opportunities to understand their customers better and to share learning.’⁵

In the restrictive financial environment outlined above, and with the public’s increasing expectations of public services, demands on local government are enormous. New models and new tools are needed to meet these expectations and deliver effective twenty-first century services. Shared services could be one such tool, and a very powerful tool, for authorities trying to meet these demands.

⁵ Cabinet Office (2006) *Transformational local government*

3 *What are shared services?*

What are shared services, what do they mean for local government and how is it done?

Chapter two detailed why shared services are so important for local government at the moment. This chapter describes briefly the core methodologies and goals for shared services and how they might be used to address the issues outlined above.

Varying interpretations exist but most can be summarised as describing shared services as the convergence and streamlining of functions within or across organisations to ensure they deliver services as effectively and efficiently as possible.

Similar services and processes usually exist across departments and organisations, each with their own staff, systems, contracts and way of working. By standardising these systems they can be carried out on a larger scale bringing economies of scale and more coherent services. The expected benefits include:

- less duplication of effort;
- freeing up resources for other areas;
- cost savings;
- consistent service levels;
- more efficient use of time and money;
- more joined-up thinking leading to better strategic planning;
- a more effective and responsive service; and
- greater capacity for future change.⁶

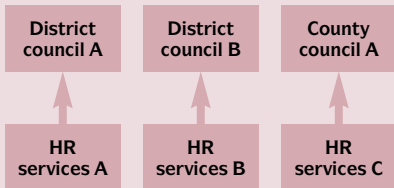
There are two core ways of sharing services, either internally or across organisations. PricewaterhouseCooper (PwC) calls these the ‘federal’ or ‘sovereign’ models.

⁶ Liberata (2005) *Leveraging the Value of the Private Sector*

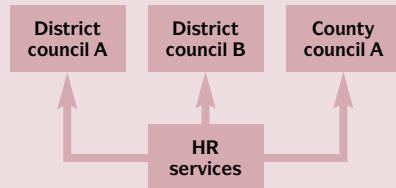
Federal Combining similar processes or services across a number of authorities. This can require movement of staff and resource into a central location. It may be particularly appropriate for smaller organisations where the economies of scale achievable on their own are not significant:

Figure 2 Example of a federal model

From...



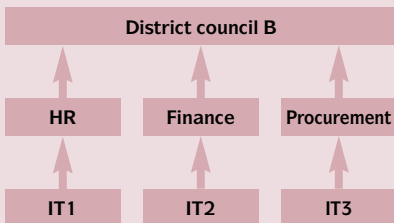
to...



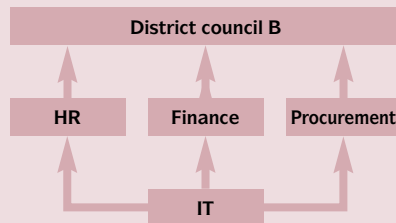
Sovereign Combining different departments (and/or the services within them) within a single organisation:

Figure 3 Example of a sovereign model

From...



to...



A third model is sometimes added, which Serco describes as 'commercialisation'. This involves taking the new business unit to market and selling shared service capacity to other organisations.⁷ In 2004, legislation came into force which enabled successful authorities to trade in any of their ordinary functions for profit. This allows local government itself to become a provider of shared services

⁷ SERCO (2005) *Shared Services as a Long-term Solution for Local Government*

to third parties. The benefits of this legislation include new funding streams for local government. It also proves that the public sector can be as efficient as the private in meeting the needs of twenty-first century citizens.

Each model above could utilise private sector experience or outsource to businesses specifically designed to deliver these functions. This may be particularly appropriate in back-office functions such as IT, procurement or HR where private industry has significant previous experience in shared services. Nevertheless, as the case studies show, shared services can also be delivered in-house using local government's own expertise.

Degrees of implementation

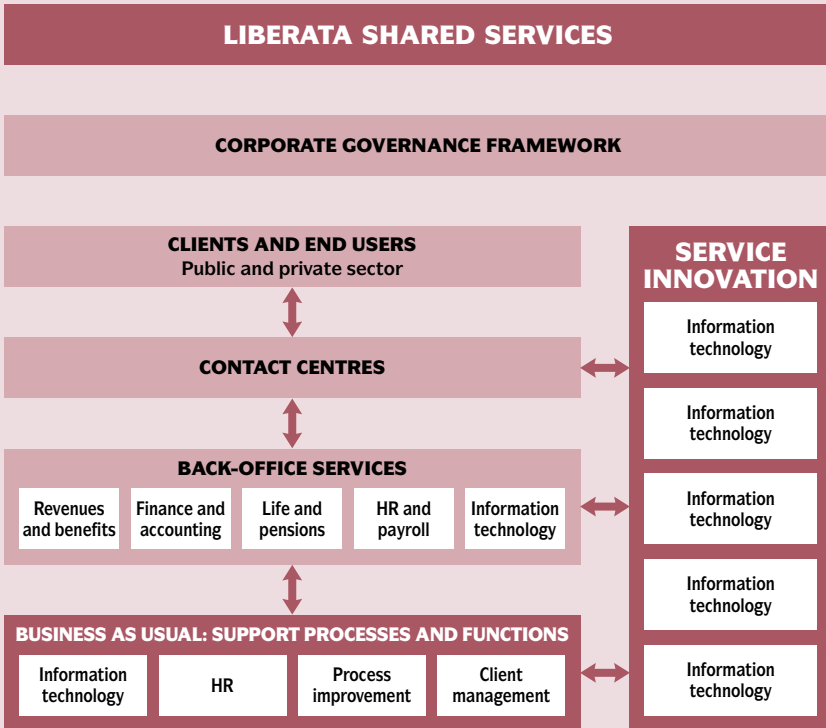
The section above outlines what shared services means, but where and to what extent can it be used? The most ambitious scenario might share functions in both front and back-room elements, putting shared services at the centre of the whole local government offer. It would build on these structures over time, continuing to innovate and improve processes, leveraging further synergies, delivering greater efficiencies and more joined-up, flexible, effective services. Liberata's model, shown in the figure overleaf, explains how this might work.

This model would require business transformation throughout, redefining and redesigning processes to ensure that back-room processes are as efficient as possible. It would ensure that these functions deliver what is necessary for front-line delivery, while facilitating better joining-up of objectives and ways of working across services. Vertex's report, *Towards Better Communities*, suggests this approach will encourage '**shared understanding and commonality of purpose between individual specialist departments**'.⁸ In turn, this aids the longer-term local government drive for better partnerships and closer, more integrated service delivery.

Tackling such a large-scale change is risky. Key local government decision-makers agree that the resource and investment needed for this model, coupled with the potential risk to service delivery make this kind of major business transformation difficult. Using shared services to deliver results in individual or small clusters of functions is perceived as a more realistic short-term goal.

⁸ Vertex (2006) *Towards Better Communities*

Figure 4 A business model for shared services



Source: Liberata

For example sharing across front-line services offers a smaller-scale opportunity for utilising shared services. If we include revenue and benefits, enquiry call centres and web-based service portals as front-line services then there are ample examples of these services being shared. The Anglia Revenues Partnership (ARP) and Barrow’s shared service centre, both case studies in this report, are good examples of sharing revenues and benefits.

The definition of front-line is not universal. Many designated front-line services such as council tax collection are actually very transactional in nature and have more in common with back-office functions such as payroll. Less common in local government is joining-up front-line services with immediate and direct public contact. When this occurs the boundaries between local authorities and services

are blurred and they are able to operate as one unified body in the delivery of multiple services across regions and organisational boundaries.

For example, the DWP's Link-Age system offers one-stop access to services, covering housing, health, social care and finance. This system is reported to:

- increase their ability to contact and support the most vulnerable members of society;
- increase net take-up of entitlements and services;
- reduce duplication of effort – customers only have to provide details of personal circumstances once;
- improve the quality of life and independence of older people, by intervening before the time of acute need; and
- provide an integrated service to today's and future pensioners.⁹

The areas thought to be most appropriate for shared services are traditional back-room departments. Accenture's 'Shared Services Checklist' highlights the business context under which shared services are usually considered and back-room processes best meet these criteria.¹⁰ These functions include:

- HR;
- finance;
- procurement;
- recruitment;
- estates and facilities management; and
- legal.

An example with the most obvious opportunities for a shared approach is procurement. By combining procurement internally or across agencies a department is able to negotiate larger, longer term and more efficient contracts for anything from basic stationary provision to IT systems. 32 per cent of councils are now involved in this kind of shared procurement function.¹¹

⁹ DWP (2004) *Link-Age: Developing networks of services for older people*

¹⁰ Accenture (2004) *State of Shared Services and BPO*

¹¹ DCLG (2006) *National Procurement Strategy for Local Government, Two Years On*

4 *Take-up of shared services*

With so many potential benefits to shared services and such vocal support in business and Government, are all councils sharing?

Shared services appear to be a 'win-win' for local government, allowing them to meet efficiency targets and releasing resource for vital front-line services. The financial benefits seem clear. In particular, the potential for shared services in back-room functions appears to be a practical, achievable goal, which has already been successful around the globe.¹² Furthermore, a recent Local Government Chronicle (LGC) survey found that 89 per cent of local government respondents saw shared services as an opportunity, only three per cent a threat and just seven per cent a fad. The question for this research is why only 20 per cent claim to have a fully operational project, with the rest still at the scoping and planning stages?¹³

Existing research into shared services focuses on business models and organisational obstacles to change. Work from Liberata,¹⁴ BT, Accenture,¹⁵ PricewaterhouseCoopers,¹⁶ SERCO¹⁷ and others has helped us understand the change management issues for shared services including:

- organisational inertia;
- resistance to change;
- ability of leadership to drive change;
- lack of capacity and resource;
- poor change management; and
- effective benchmarking.

These important observations are now common currency when discussing shared services, but a focus on these alone has not been enough to encourage rapid

¹² Office of Shared Services (2006) *Annual Report 2005-2006*

¹³ Smulian M (28 Sept 2006) article in *Local Government Chronicle*

¹⁴ Liberata (2005) *Leveraging the Value of the Private Sector*

¹⁵ Accenture (2005) *Driving High Performance in Government*

¹⁶ PricewaterhouseCoopers (2005) *Shared services for even greater efficiency in local government*

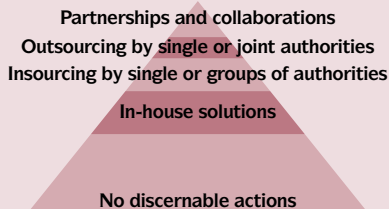
¹⁷ SERCO (2005) *Shared Services as a Long-term Solution for Local Government*

take-up in the local government arena. The recent local government White Paper continued the emphasis on a need for greater collaboration between all councils to deliver ambitious cost efficiencies.¹⁸ The billions that could be saved if local government back-offices met the targets of best in class shared service ventures have yet to be realised. The 1.5 per cent gap between Government spend on HR and Finance and ‘best-in class’ remains. The LGC survey shows that the number considering shared services has grown (from around 62 per cent in 2004)¹⁹ but the number of completed shared service projects remains low.

Reports indicate that the initial local government target of £1.2bn in administrative savings has been exceeded by £0.8bn.²⁰ Scottish councils are on track to deliver savings over twice their £54.1 m target. Authorities are rising to the efficiency challenge, but without using shared services. As the White Paper acknowledges, this reluctance to share services leaves untapped potential for sustainable efficiency gains. This leads us to the first key question of this research:

What are the particular barriers which face local government on shared services, particularly in back-room processes?

Figure 5 Representative segmentation of activity through existing change channels



Source: NLGN (2005) *Getting on with Gershon*

The figure above describes the levels of sophistication in developing shared service solutions in local government, highlighting the low proportion of collaborative approaches. As confirmed by the White Paper, greater partnering is

18 DCLG (2006) *Strong and Prosperous Communities*

19 Liberata (2005) *Leveraging the Value of the Private Sector*

20 DCLG (2006) press release on www.communities.gov.uk/index.asp?id=1002882&PressNoticeID=2245

expected across councils to facilitate better, more efficient services. Yet the Audit Commission believe a third of organisations in partnerships experience problems.²¹ The internal or ‘sovereign’ model of shared services within a single authority has been seen by local government as an easier win.

As one chief executive interviewed in this research stated, **“the difficulties in agreeing joint specifications, goals and structures across multiple authorities are such that if you could do it alone why wouldn’t you?”**

This can’t work for everyone. Where large authorities such as Surrey County Council and Glasgow City Council have made cost savings and service improvements though successfully implementing shared services internally, others – by financial necessity or virtue of size – have to work together to deliver the same results. Single authority projects, including some in this research, are now trying to share with other public sector, private sector and local government partners. In Scotland, the Pathfinder shared service projects have been defined specifically with scalability in mind. Local authorities will need to work together effectively in the long run if the shared services agenda is to meet the high expectations people have of it.

This leads us to the second key question of this research:

What prevents partners working together and sharing effectively?

Asking the right questions

In order to answer these two over-arching questions we should look first at the work already done. What have we missed? The barriers mentioned above are central to any major organisational change but do not reflect the particular nature of decisions in the local government environment. A wider review of articles and research highlights underlying issues peculiar to the local government world. Some or all of these might be preventing greater take-up of shared services. This research attempts to draw out these issues and highlight their importance to the debate. Some of the observed underlying factors mentioned in previous research include:

An NGLN conference in 2005 concluded that encouraging take-up of back-office shared services was far more difficult than areas such as

²¹ Bundred S (4 Nov 2005) an article in *Public Servant*

waste or education because of the negligible impact on citizens and public opinion.²² This raises the question:

Is it hard to get interest in local government for shared services?

'Myths which prevail about the public sector market for shared services:

- *Whitehall is imposing shared services across the public sector.*
- *Shared services pull decision-making back to the centre.*
- *Public sector bodies resist to preserve autonomy.*²³

And so: Is the shared services agenda seen as too centrally driven?

*'Shared services lead to a perceived loss of control, confusion about accountability and concern about new roles for employees.'*²⁴

And so: How much control is local government willing to trade for cost efficiencies?

*'Better services and public service reform is more likely to occur when employees and their trade unions/representative groups are fully engaged in the strategic and tactical decision-making of both public policy through to service delivery at a provider unit level.'*²⁵

And so: How engaged are staff and unions in the debate? Does this matter?

*'Politics, territorial issues and the risk of jeopardising personal careers can be strong inhibitors.'*²⁶

And so: How territorial are councils over services?

*'29 per cent of local authorities interviewed saw lack of co-operation between departments and councils as hindering the delivery of Gershon requirements.'*²⁷

And so: What helps and hinders council co-operation? What sustains relationships?

'Shared services centres have yet to take off because of "political unwillingness to lose local employment" and "because the most advanced authorities can end

22 NLGN (2004) *Advancing a New Public Service Ethos*

23 Kahlenet (2004) *Shared Services in the UK Public Sector*

24 www.conferenceboard.ca/press/2006/sharedservices

25 NLGN (2004) *Advancing a New Public Service Ethos*

26 Accenture (2005) *Driving High Performance in Government*

27 SERCO (2005) *Shared Services as a Long-term Solution for Local Government*

*up carrying the least advanced, accelerating the poor but holding back the good”.*²⁸

And so: How big an impact does shared services have on local employment?

*‘Government is currently devolving decision-making down to local level; making schools, NHS trusts and councils more autonomous. Such organisations are unlikely to take kindly to being told exactly how best to use that autonomy. The idea of shared services pulls in the opposite direction to other government initiatives.’*²⁹

And so: Does shared services run against the grain of ‘new localism’ and greater local government autonomy?

** ‘There are sometimes instances of long lasting rivalries or mistrust between councils and public sector bodies in a geographical area. Trust is vital when working in partnership and a lack of trust will hinder successful collaboration.’*³⁰

And so: Do long-standing rivalries and cultural differences prevent shared services?

*‘We are two small councils which would be threatened by any centrally directed reorganisation. Our suggestion for shared working... would guarantee our future as separate councils that can still respond to local need.’*³¹

And so: Is the threat of reorganisation impacting on the agenda?

*‘Locally elected members are... sensitive to developments that might be perceived as eroding their responsibilities for local services or detracting from service improvement – or threatening jobs in their area.’*³²

And so: How politically sensitive is this agenda?

Case study research was used to investigate how far these eleven factors affect the take-up of shared services by local government.

28 Will Hadfield (7 Mar 2006) an article in *Computer Weekly*

29 OGC calls for shared services rethink (10 Feb 2006) article in *Public Finance*

30 National e-Procurement Project (2006) *Multi-Agency e-procurement How To guide, Part 1*

31 Bloomer K (2006) an article on www.improvementservice.org.uk

32 PricewaterhouseCoopers (2005) *Shared services for even greater efficiency in local government*

5 *Methodology and case studies*

Each study involves a local authority or cluster of local authorities at a different stage in shared service delivery.

Some, like Glasgow, Surrey and Suffolk, have already completed shared services projects and may be looking to expand them. The Scottish Multi-Agency Project is at the start of the process and is now attempting to put projects together. Some are focused on the sharing of a single service, others attempt to share multiple services across councils or internally. Some involve private sector partners, others do not.

The case studies also reflect a range of authority types; unitary, county, metropolitan and London borough. Size of authority, political party control, economic status, region and rurality have also been addressed in case study selection.

In each study the research has involved interviews with council members and officers, unions, associated public sector bodies, neighbouring non-participant authorities, regional development bodies and other associated stakeholders.

The case studies selected are:

Greater Manchester

Project (AGMA) Ongoing collaborative regional strategy within which several shared services and joint-working initiatives are under discussion including waste disposal, agency staff hire and IT

Position of project Ongoing – several projects under discussion, between initial idea, feasibility and design stages

Local authority type Larger metropolitan borough councils, urban, mix of political control and service needs

Surrey

Project Creating more streamlined back-room processes through integrated IT. Includes HR, procurement, property and finance

Position of project Completed

Local authority type Large county council, large political majority

Glasgow

Project Reorganising and integrating back-room processes through IT – includes finance control, business development, HR, sales, procurement and knowledge management

Position of project Completed – looking to develop pathfinder status

Local authority type Large city council, urban, large political majority

Multi-Agency Project, Forth Valley Area, Scotland

Project Five Scottish councils (Clackmannanshire, East Dunbartonshire, Falkirk, Perth and Kinross, Stirling) are looking to share back-room services including IT, Finance, HR and procurement

Position of project Ongoing – at feasibility stage

Local authority type Range of small to medium sized councils, differences in political control and balance

Suffolk

Project Mid-Suffolk District and Suffolk County Council's Customer Service Direct partnership with private sector provides joined-up back-room functions and customer contact services across two tiers of local government

Position of project Completed

Local authority type Large county council and smaller district council, largely rural, changes in political control

East Anglia

Project Anglia Revenues Partnership – Revenues and Benefits partnership between Breckland and Forest-Heath District Councils

Position of project Completed – looking to being on board new council partner and market service systems to other organisations

Local authority type Two medium sized district councils, similar in service issues and rurality, similar political control

Barrow

Project Private sector partnership to deliver revenues and benefits to authorities across the country

Position of project Completed – continues to search for new partners

Local authority type District councils, London borough, mix of deprivation levels and regional issues, changes in political control

The analysis of these studies addresses the two key research questions:

- **What particular barriers face local government on shared services, particularly in back-room processes?**
- **What prevents local authorities working together and sharing effectively?**

These were informed by the eleven factors identified in Chapter four:

- **Is it hard to get interest in local government for shared services?**
- **Is the shared services agenda seen by councils as too centrally driven?**
- **How important is maintaining control to members and managers?**
- **How engaged are staff and unions in the debate?**
- **How territorial are councils over services?**
- **How are collaborative relationships developed and sustained?**
- **How big a part does local employment play in council decisions?**
- **Do shared services run against the grain of ‘new localism’?**
- **Do long-standing animosities and cultural differences prevent shared services?**
- **Is the threat of reorganisation impacting on the agenda?**
- **How politically sensitive is this agenda?**

These factors underpin the case study interviews and analysis. In order to draw the relevant conclusions from these cases they are divided into five clear sections:

- 1 Project outline and context** A brief outline of the projects scope and aims.
- 2 Key drivers** The central reasons respondents thought shared services would be beneficial to them.
- 3 Key obstacles faced** The issues perceived by respondents as the most challenging for their particular shared services project.
- 4 Success factors** Those factors that analysis suggests were most beneficial to the shared services agenda.
- 5 Other lessons learned** Respondents mentioned some other specific lessons and insights that they had taken from their experiences.

CASE STUDY The Scottish Multi-Agency Project**Project outline and context**

There are two concurrent shared service initiatives underway involving the Forth Valley region. The first involves Stirling, Clackmannanshire, Falkirk, Perth & Kinross and East Dunbartonshire Councils developing shared back-office systems covering finance, HR and procurement, with potential for bringing in other functions.

The second project developed from the working relationships of the first as two authorities saw further advantages in sharing other services. This second smaller project is an attempt to integrate the management structures of Stirling and Clackmannanshire councils to deliver greater cost-effectiveness but retaining individual political accountability, service policies and standards.

'Local people would still be dealing with the same council. What we are proposing is joint working at management level that would have little or no effect on frontline staff but reduce our running costs and increase our ability to meet the changing role of local government in the future. This proposal offers the best of both worlds. We retain political autonomy and continue to be answerable to our own electorate but can take advantage of significantly improved economies of scale.'³³

- Both projects are currently at the feasibility stage. The consultancy firm HEDRA is looking to deliver business cases at an aggregated and individual level.
- The five-council shared service project, as one of several Scottish pathfinders, is supported by the Scottish Executive as a prototype model for joint-working.
- Other potential partners from health and the police were originally involved in the project, but central pressure and logistical issues intervened.
- The project is supported at a national level by COSLA, CIPA, Society of Local Authority Chief Executives (SOLACE) Scotland and Improvement Service.

33 Stirling Council (16 June 2006) an article on www.egovmonitor.com

Key drivers

The authorities involved recognised **the need for economies of scale within small to medium sized councils** that were similar to those achieved by large organisations. Shared services allowed them to do this, while at the same time providing a **defence against local government reorganisation**. Previous restructures were perceived by respondents as disruptive, poorly thought through and of no benefit to citizens. Respondents felt they were potential candidates for reorganisation because of their relatively small size and their proximity to other larger conurbations, with historic boundary disputes. Forging strong links across the councils makes it more difficult to unpick them for reorganisation, while delivering economies of scale dismisses a primary argument for full integration. Finally, authorities saw shared services as one part of a **wider drive for improving services and efficiency** as proposed by the Scottish Executive's *Transforming Public Services* paper.

Key obstacles faced

The issue of **locating a shared services venture** was seen as a critical point in the process. There is some degree of labour mobility locally, but the area is particularly employment sensitive and there is a reliance on public sector jobs which members recognised must be factored into discussions. **Cost-savings were not always the most important factor** and had to be balanced against other political issues such as control and local employment. This is where differences between councils might occur.

Some respondents were concerned about the **lack of evidence and good practice available**. The councils feel they are entering 'new territory', with relatively few examples available to learn from. This caused some unease over the potential pitfalls of implementing shared services and reduced some of the impetus for change.

Some stakeholders see joint-working as a council merger with loss of local powers and identity. This was a concern for some members, unions and voters.

Retaining autonomy was important. There were also political obstacles around the move to Single Transferable Vote in the 2007 local elections. This is likely to bring about **large-scale changes in the political makeup of councils**. This could mean a different set of leaders driving the project, a delay while new councillors are briefed on the nature of the projects and hung councils

which might prevent constructive progress on shared services. Finally, some respondents were a little concerned that existing differences in the political control of each council could be destabilising.

Success factors

As an **alternative to local government reorganisation**, shared services was a popular concept with widespread support across stakeholders.

‘In a changing environment networks are a more rapid and effective method of responding to change than constant boundary reviews and statutory reorganisation.’³⁴

There is **strong, effective support at executive level**, based on previous experience in joint-working, regular meetings at senior levels and good long-standing relationships. The **proactive attitudes** of these senior stakeholders is seen as an important factor in garnering support, creating and delivering a vision and sustaining long-term projects. Senior stakeholders also have strong links to other external government bodies which support the project and help develop relationships.

“These ideas will not go away so let’s not put the shutters up, let’s face them head on and get in there and shape them ourselves.”

Senior Officer

Members were accepting of the move towards an enabling local government where they are **commissioners of services**, providing strategy and scrutiny rather than direct service provision. For example, instances of partnership/outsourcing are already in place across the councils, with members comfortable in their new commissioning roles. Nevertheless, to sustain member support the steering groups (which include all parties and unions) **report to council regularly in clear, simple terms**.

At a central Government level there is **keen Scottish Executive interest** in the project as a shared services pathfinder. This creates pressure to succeed and the additional benefit is that the Modernising Government fund finances the feasibility study. This minimises the initial financial commitment needed from authorities.

³⁴ Unison Scotland (2006) *Transforming Public Services: The Next Phase of Reform – The Unison Scotland Response*

Other lessons learned

- A mix of shared service centres of excellence across authorities is more acceptable than one large all-encompassing centre.
- People must be made aware that this can be a **lose/win** situation i.e. councils may give up control but gain better services and cost savings.
- **“Glib political comments do not solve anything” Consultants**
Glib political comments can cover up underlying issues which need to be faced head-on and openly. Care must be taken with internal communication to ensure it is thorough, accurate and honest.
- There is a need to be flexible in discussions, allowing the process to evolve and change to accommodate issues that arise. An overly rigid approach can restrict progress and damage relationships.
- **“It is a very complicated process and you need to spend time explaining exactly what it means for people and what benefits are.” Senior Officer**
Greater understanding breeds trust across and within organisations and internal stakeholders.

CASE STUDY Surrey Shared Service Centre

Project outline and context

Surrey has a population of 1.1m people and £1bn of public services are delivered each year by the County Council and 11 District Councils. Surrey County Council has seventy-six councillors with a large Conservative majority.

‘The Council had grown incrementally to more than 24,000 employees with a budget of nearly 900 million pounds and a served population of more than one million citizens. As each department developed its own systems and processes, the Council eventually became an inflexible patchwork of disparate systems supporting inefficient, non-standard processes. In cases where systems and processes were integrated, the use of non-standard integration techniques meant that as the Council grew, so did the complexity of its infrastructure — paralysing its ability to adapt. Over time, as citizens and businesses began clamouring for

new and better services, the Council faced an increasing challenge to respond.’³⁵

Surrey County Council’s award-winning Shared Service Centre – opened in Kingston-Upon-Thames – incorporates transactional processes, accounts payable, procurement, recruitment, HR administration, business intelligence, finance, payroll and some IT services. It hosts around 260 staff but has the potential to grow significantly. The process developed over five years into a large-scale business transformation programme with extensive changes across the organisation. The project was kept and managed in-house, though it did involve IBM as a partner for managing business changes.

- Other District/District joint-working partnerships are currently being considered in the county.

Key drivers

The wider policy context created the circumstances in which shared services were an obvious way forward. The **Gershon Review** in particular made the council acutely aware that **“Government would no longer throw money at them” and they needed “long-term financial sustainability”** **Senior member**. A **very strong business case** for shared services emerged which made it particularly difficult to argue against their implementation. This case was made stronger by the fact that their **old systems were reaching the end of their useful shelf-life**. It was thought to be the right time to bring in fresh ideas as some upheaval was already expected.

Key obstacles faced

There were several internal obstacles for the council resulting in a strong negative lobbying element which had to be managed. For example, project sponsors found it **difficult to get buy-in from middle management** because it was diluting their sphere of influence. **“You are expecting people to deliver on services and structures which could mean the end of their jobs.”** **Senior officer** Some staff also had **concerns about their new role**, thinking that the new shared service format would create boredom, a loss of career progression and inflexibility: **“Shifting the departmental mentality among staff is hard, it’s a big cultural change”** **Senior Officer**. Finally, a **relative lack of understanding of shared services among members** made some wary of the concept. Without the expertise to question the process some members felt

excluded from the process and sceptical of its motivation. Inconsistent and incoherent information added to the political scepticism.

Other external pressures raised the suspicion around shared services and prevented a whole-hearted enthusiasm for the concept. Firstly, it was felt that **consultants had been over-selling the idea** of shared services which raised questions about the real motives and benefits of it to authorities and the public. This was compounded by **insufficient evidence** that shared services really work and a perceived **failure of Government to implement shared services** themselves. At the same time, neighbouring councils were waiting for a proactive approach from the County council before considering implementing shared services themselves. **No agency was seen to be taking the lead** on marketing and expanding the idea of shared services across the region. This was preventing a wider strategy and greater joining-up across more authorities.

“The centre has been up and running for some time now, and if it was that good I’m sure they would have been banging down our door to get us involved.”

Senior Officer

Other minor obstacles mentioned by respondents included the fact that councils need to **“jump through legal and procurement hoops”** **Senior Officer** to implement shared services, and a perceived lack of trust from Government which undermines local government’s motivation to innovate with services.

Success factors

Analysis of respondent’s answers suggested some key factors in the projects success. Internally, **regular one-to-one sessions were held with managers and staff** which ensured they were involved in decisions, included and informed. There is not a strong history of **union participation**, but nevertheless they were involved up-front as well to minimise confrontation. **Strong sponsors at senior levels** pushing through change with a clear vision helped get staff on board as well. These efforts all helped to built confidence and trust between staff and project leaders.

“You need to get the hygiene factors in place – explain that ‘you are not going to join a sweat-shop, it is a nice building, with good tools to allow you to do a better job in a better atmosphere with more prospects.”

Senior Member

Political support was encouraged by **getting the control system right** to ensure everyone has a say. This reassures people that nobody is 'taking over.' The fact that the centre was kept in Surrey **kept jobs local** which also helped build this political support.

Other less influential factors include the fact that the council rolled services into the centre one at a time, giving each more time to put in place processes such as a recruitment halt to make the transition easier. This **'small steps' approach** gives stakeholders the time and space to see shared services work, building confidence in and support for the overall scheme. At a wider environmental level, the E-Government agenda and wider direction of travel for public services had created an atmosphere conducive to shared services. When **framed within a wider agenda for improving services** through technology, shared services is seen less as a purely cost-cutting exercise.

Lessons learned

- Sponsors need to reaffirm that this is for the public good not the good of internal stakeholders. This creates a stronger, clearer and more coherent sense of direction and purpose behind shared services.
- Raising the profile of back-room processes to show the links between them and core services will raise the profile and support of the whole project.
- Staff satisfaction surveys show that shared services have led to low staff turnover, and high job satisfaction.
- Local and central government agencies are looking to learn from Surrey's experiences through regular visits. **"It's a popular topic."** Senior Member
- A budget is necessary to sell the capabilities and success of the project.
- Integrating new partners into the system later will present new challenges. Surrey Council accepts their centre will not be the best option for all district councils.
- Authorities should work to build an ongoing culture of change throughout their organisation.
- Help people understand the process by not jumping too quickly into technical jargon.

CASE STUDY Association of Greater Manchester Authorities (AGMA)

Project outline and context

AGMA (the Association of Greater Manchester Authorities) was formed after the abolition of the Greater Manchester Council in 1986. The 1985 Local Government Act devolved power to local areas but also recognised that there were some functions that needed to be co-ordinated at a metropolitan level. AGMA was formed to undertake these functions. The Association is a partnership between the ten local authorities within the Greater Manchester area. These ten authorities co-operate on a number of issues, both statutory and non-statutory, where there is the possibility of improving service delivery by working together. Units are formed under partnerships and are bound by the AGMA Constitution, signed up to by AGMA member authorities. AGMA is not a legally constituted body or a large organisation in itself but does have the resources and expertise of the member authorities to call upon. Wherever appropriate AGMA will bid for additional resources to help support a particular initiative.³⁶

In recognition of the need to achieve better joint-working, the AGMA Collaborative Services Group (CSG) was created in early 2005 and consists of senior managers from participating authorities. Members of the CSG act as either Project Champions, or intermediaries (between CSG and their authority) to help ensure the delivery of projects. This group is now looking at several shared service opportunities. These include waste collection, and agency staff recruitment.

Key drivers

The high-profile **recycling agenda** and upcoming EU fines for failure to meet **landfill targets** have changed the way in waste must be dealt with and **moved it up the political agenda**. It is now vital for authorities to develop a more joined-up and cost effective approach to waste disposal.

AGMA authorities currently spend **significant budgets on temporary agency workers**, around £60-70m a year. **Duplication of effort** is seen as prolific across and in some cases within councils, with the private market predominantly dictating prices. The use of an AGMA-wide managing agent is expected to streamline processes, develop a more efficient use of resource across the region,

³⁶ www.agma.gov.uk

prevent competition between authorities for scarce skills and resource and give the authorities more power to impact on and influence the market itself.

Key obstacles faced

Internally, some members are wary of **handing over responsibility** for services. Members also perceive some **political risk** in shared services and projects are not always thought to be viable in the run up to elections. For example, fortnightly waste collection has proved politically sensitive and is seen to have been the focal point for the last elections in Bolton. **Getting agreement and support among professionals and middle management** also proved difficult as they attempt to integrate several different processes and systems across councils.

Some issues had more impact on the relationships between councils. Councils who have already **invested time, political energy and social capital** in their own services do not always agree with the approach agreed on by the other AGMA partners. In this case the **incentive for sharing is minimal**, particularly among those who feel they are already operating efficient and effective services. Where agreement is made, there can still be **differences in the speed with which projects progress** across councils which breeds frustration. This speed can depend on political stability and competition. Finally, as the largest city in AGMA, Manchester has been seen in the past to wield too much power on regional issues which could have had a negative impact on members and the ability of projects to agree on governance structures.

Success factors

Projects have dedicated project groups and resource with senior support that can invest time in building support for, interest in and strong cases for shared services. Part of their role is to encourage debate. AGMA respondents saw **extensive consultation** ("**Trying to take everyone along with us**" **Senior Officer**) across and within authorities as a vital tool for sustaining this support.

Strong leadership is vital. Good existing relationships and networks between senior executives existed which encourage **high-level agreement** across AGMA on the overall direction of travel and need for effective sharing. At a senior level all project sponsors also have **positive, proactive attitudes** ("**Don't wait for the stick, grab the carrot**" **Senior Member**) which help sustain project

momentum. Leaders also allow enough choice and flexibility in projects to prevent political deadlock.

The relationships between AGMA authorities receive care and attention to detail. For example **power imbalances** are recognised and factored in. Manchester Council felt it had worked hard to reassure neighbouring authorities it was not a threat. There is now a belief across AGMA that what benefits one authority will usually benefit the whole area. This belief is beneficial to the shared services agenda.

Nevertheless, stakeholders are aware of and respond to power balances in relationships. On the politically sensitive issue of joint working on waste Manchester was made core negotiator and driver for progress negating some of the force that they might otherwise exert in an individual role and adding pressure to produce a compromise to everyone's satisfaction.

There is also an explicit acceptance that there are legitimate reasons for AGMA authorities not to take part in every initiative and that the rejection of one proposal is not a rejection of the overarching principle of joint-working. This prevents frustration and the breakdown of relationships while promoting shared approaches to services.

Other lessons learned

- Shared services can operate over and above party political issues.
- Start with the easy wins. Small steps lead to greater strides by building trust and belief in the concept of shared services.
- Dedicated resource is necessary to encourage internal support and build strong cases that will persuade sceptics.
- Things move at the pace of the slowest participant. Some strategic framework is helpful in ensuring that momentum is maintained.

CASE STUDY Suffolk Customer Service Direct (CSD)

Project outline and context

CSD is a joint venture between Suffolk County Council, Mid Suffolk District Council and BT, covering most functions including finance, HR, ICT and recruitment.

The project, called Customer Service Direct, has been implemented under a 10-year deal with BT that began in 2004. The supplier has committed to invest more than £50m in new IT systems over the contract's term. Some 400 council services are being delivered through Customer Service Direct. The councils share a face-to-face contact centre and a 30-seat call centre through which people can access both county and district council services. A transactional website to allow online access to services has also been created. Although the councils' front-office departments remain separate, back-offices were merged for the project. Employees from the councils were seconded, rather than outsourced, to the joint venture.³⁷

- The project began before the Gershon Review was published.
- After two years Customer Service Direct has improved the proportion of enquiries resolved at the first point of contact from 41 per cent in late 2004 to 67 per cent in 2006 and telephone queuing times have been cut from 55 to 28 seconds.

Key drivers

Both councils had a desire for a more modern, **customer-focused approach** to delivering services. They believe that **“the public don't care who provides the service, they probably didn't always know before and they would really be expecting councils to work together for public good”** **Senior Member**.

This, coupled with the **need for greater efficiency** in light of reductions in grant allocation created an impetus for change. The district council was also struggling to **update systems or fund internal investment** in IT with a relatively high deficit which BT were able to address.

Key obstacles faced

There were challenges across the region in bringing partners together. Some potential partners were **sceptical about re-organisation** and wary of getting too close to a county partner. Some feared **power imbalances** and saw it as a county council takeover. Others thought shared services would **sacrifice quality and flexibility for efficiency**, and most wanted **more hard evidence** from the local government sector before investing in the move to shared services. Some neighbouring districts thought **differences in electorate demographics and**

37 Suffolk County Council (2005) *CSD Case Study*

service needs prevented effective sharing. Finally, the attraction of the investment in technology offered by BT was negated somewhat by the money already being made available to other councils by the e-Government fund.

There were two core internal challenges. Firstly, **changes to political control** in one council that occurred during the process, with a change in leadership. This could have impacted negatively on the project momentum. Secondly, project sponsors needed to **reassure staff** about their transfer to the new business.

The **involvement of the private sector** created some further internal challenges, bringing with it some historic baggage and negative brand perceptions for some stakeholders. It also bred some concerns around the perceived privatisation of services and being tied into **restrictive long-term contracts**.

Other less prevailing concerns included that fact that councils had to be mindful of the **impact decisions have on local businesses** and balance this against the cost savings from large centralised procurement contracts. Central government inconsistency was also cited as an obstacle, particularly **procurement and accounting legislation**. **“They say they want efficiency but tie local government up in procurement red tape and financial constrictions.”** Senior Member

Success factors

Both councils wanted to look at systems from a **holistic, long-term, customer-centric perspective** which is more likely to encourage the use of shared services. By reminding people **“we are here to serve the people... in the business of providing services... not ourselves”** Senior Officer the case for shared services is made stronger.

Internally, strong leaders have made it ‘their’ project and **focused on building support, understanding and enthusiasm for the project across stakeholders**. This includes getting broad cross-party support, taking time to sell the concept to stakeholders, building stronger relationships, keeping the union well abreast of progress and taking on board staff ideas and concerns at an early stage. Importantly, project sponsors wanted to make sure they explained the opportunities for staff growth and development to overcome internal inertia and resistance.

Other factors that helped support the implementation of shared services included the secondment of a senior executive from BT to the council to firm up the partnership, and the willingness of partners to develop a **good, progressive public/private relationship**. **“BT were the only business looking for a true partnership and willing to invest the time money and expertise in improving systems.”** Senior Officer

Lessons learned

- There can be a lack of understanding of shared services across the organisation. Be clear what is expected up-front and focus on generating interest in the project.
- Marketing to and courting of other councils was felt to be poor at times, with limited information provided. This led potential partners to question the benefits of taking part.
- Now the system is fully developed, CSD would encourage other districts to cherry-pick the bits they think are relevant for them and not enforce wholesale changes.
- CSD has allowed the council to use the more detailed and timely information available to develop better strategy where it was previously too difficult to co-ordinate across departments.

CASE STUDY Glasgow

Project outline and context

Founded in November, 2004 the Glasgow City Council Shared Service Centre brings together finance control, business development, HR, sales, procurement and knowledge management.

The shared services centre’s key role is to provide one-stop access, for council staff and customers, to highly skilled support services, powered by integrated SAP software. The centre also facilitates development and training for the SAP system, which will provide substantial long-term efficiency and cost-saving benefits for the council. Staff in the shared service centre help support Glasgow City Council to deliver open, efficient, high-quality services to the people of Glasgow and visitors. Glasgow’s telephone contact centre, the ‘Access Centre’, has been operational since February 2003 and developing customer facing

*channels using voice, email and web, the Access Centre provides a range of 'first point of contact' services and transactions.*³⁸

- Total projected savings: £7.8-£9.8m annually.
- The potential for shared services in Glasgow was under consideration before the efficiency agenda really took hold. For some time they were the only authority in Scotland to have a shared services centre.
- Glasgow is now undertaking an Executive, COSLA, CIPA, SOLACE and Improvement Service backed audit of current processes. They are looking to improve, simplify and standardise processes further across departments and develop a pathfinder route to best practice. This is expected to be expandable and to involve other local authorities as early adopters.
- Glasgow is also considering front-line shared services involving Scottish Enterprise Glasgow, NHS Greater Glasgow, Strathclyde Police and Jobcentre Plus.

Key drivers

Glasgow, with a population of around 600,000 is Scotland's largest city, and the Council employs around 37,000 employees, with an annual budget of around £2.2bn. The potential for **internal efficiency savings** in an organisation of that size is great. The council also wanted **improved tracking of customers**, to recover more income earlier and to provide **better customer service**. To do this the council needed to refresh technology and move away from inefficient, siloed departments that had, over many years, developed their own processes and back-office systems. These were stand-alone, outdated, and decentralised.³⁹

The Scottish Executive's agenda for improvement is using pathfinders to explore shared service options around the country and deliver scaleable systems and processes. Glasgow is one of these projects and so has received **support and guidance from the Executive** in pursuing better shared services.

Key obstacles faced

Unison's response to the Scottish Executive consultation on shared services summarised several of the key concerns expressed by staff.⁴⁰ These include internal

³⁹ *ibid*

⁴⁰ Unison (2006) *A Consultation Paper on a National Strategy for Shared Services – The Unison Scotland Response*

policy fatigue and an overly-centralised agenda being pushed through without consultation. **'It was not so long ago that the same management gurus promoting shared services were arguing for decentralised support services!'** **Unison** The fear was that shared services could lead to a **less personal service** for both users and staff, the **loss of experienced staff and their local knowledge** and a devaluation of essential administrative tasks. Staff were concerned that shared services could have a damaging impact on morale, working conditions, redundancy and redeployment. These were underpinned by the worry that shared services would lead to **privatisation or even off-shoring of service provision**. These concerns all create internal resistance to shared services.

Beyond these obstacles, there is also a **lack of faith in the current shared service case studies** and their benefits leading stakeholders to question the real benefits of shared services

Finally, there were concerns about how new partners would be brought on board in the longer term. Respondents thought **finding and sustaining other partnerships would be difficult** with pressures from conflicting agendas, unforeseen changes in circumstances and underlying political differences. Furthermore, as the **largest authority in the area and with historic disputes over authority boundaries**, Glasgow thought forming joint-working relationships with smaller neighbours might be difficult.

Success factors

The **attitude of senior members and officers was key** in driving forward the agenda. This includes a desire to be a model for the rest of Scotland, to see greater sharing and co-ordination across the country and an appreciation of the wider context to shared services within an improvement and efficiency agenda.

It was recognised that it would be **easier for Glasgow** alone to implement shared services as a single, large authority because it avoided the pit-falls of joint-working relationships. Nevertheless, some care was taken in the way shared services was introduced. A **mixture of 'big-bang' and slow introduction models** for implementing shared services meant that departments and functions could take an approach that was appropriate for them and those it would affect. This minimises disturbance to services and internal resistance.

Finally, but equally important, private sector flexibility in understanding the Council's culture was seen as important for sustaining relationships. This helped build trust across relationships and maintain support for shared services.

Lessons learned

- There should be more effort to ensure that projects across the sector are compatible. Glasgow see the best future for shared services as one in which a fully compatible ‘plug-and-play’ market is developed. This requires more strategic joining-up of services and shared service ventures across local government.

CASE STUDY Barrow-in-Furness Shared Service Centre

Project outline and context

*Liberata’s Barrow centre processes benefit claims and collects council tax for Barrow-in-Furness Borough Council and five other local authorities located across England. The new centre cleared a backlog of benefit claims that had resulted in two Judicial Reviews within a 2.5-year period and continues to increase the rate of recoveries year on year. It helped bring around 300 new jobs to the region.*⁴¹

- Liberata has been working to improve revenue collection and service delivery in Barrow since 1998 and is now one of the largest employers in the area.
- Other Cumbrian district councils have seen this initiative develop and are hoping to learn from it, if not necessarily be a part of it.

Key drivers

The core drivers for Barrow council are the influx of jobs and increase in efficiency expected from shared services, as well as the added benefits of clearing a backlog of difficult claims and creating a better working environment. It also hopes to attract further investment and employment opportunities.⁴² The Northwest Regional Development Agency (NWDA) provided some of the funding for the initiative which encouraged its development.

Other users of the shared service centre were:

- looking to outsource out of London to cut costs and end labour shortages;
- looking to build service resilience; and
- looking for a step-change improvement in service quality.

⁴¹ DCLG (2006) *Local Authority Efficiency Statements*

⁴² NWDA (24 Mar 2006) an article on www.ndwa.co.uk

Key obstacles faced

Within Barrow there were internal concerns that had to be balanced with the obvious benefits to local employment and cost efficiencies. For example, staff had serious concerns over private sector involvement that had to be eased. Politically too there were challenges. There was disquiet among members, worried that they would lose some of their power to set strategic goals, targets and vision for the service and some misunderstanding of their revised role in service delivery. As a whole the council preferred to start the process with minimum commitment, just to 'see how it would work' – which does not give sponsors and partners absolute confidence in the success of the project from the start. It did not help that the time taken for the projects to settle was beyond that of political leaders with Barrow council changing party control during the process.

“There was deep-rooted inability to accept structural change.”

Senior Officer

Employment issues were a major cause of anxiety in this project. For partners outside Barrow the discussion of redundancies raised concerns among the press, public and members. Re-locating jobs was not always acceptable to local people, particularly in services seen as more personal such as revenues and benefits.

“The public made it clear they wanted a local presence.” **Senior Officer**

This came through in negative press and lobbying against shared services. Even neighbouring authorities with relatively high unemployment levels were unwilling to relocate jobs that relatively short distance.

Success factors

Important to the success of this project was the **developing relationship between public and private sector partners**. For example, the changing attitude of Liberata to sensitive employment issues bred increased trust and support for shared services. There appears to have been a real desire from partners to measure the partnership in terms of impact on end users. This helped overcome internal differences and created a greater synergy of goals and ambition. Stronger partnership particularly helped stakeholders to appreciate that when services are stripped down to basics, many are fundamentally the same and most of the differences were of little net benefit to the end user.

‘Don’t commodify it too much – it is a people business.’

Liberata

“Liberata were willing to listen to our local needs and discuss the flexibilities we were after. They encouraged good partnership”

Senior Officer

Considerable work was also done internally to **reassure and inform stakeholders** across the councils involved. For example, projects sponsors spent time **hand-holding senior members** through the process, developing commitment at all levels throughout through openness and the sharing of information, both formal and informal. Easing staff concerns was equally important and project leaders attempted to **‘make the project real for people’ Liberata**. This included showing them existing examples of shared services in practice and trying to minimise any fears around the new ways of working. Further work was needed to engage with those working with councils outside the Barrow area. Southwark staff located in Barrow are treated like an extended Southwark family. The Council visits and keeps them up-to-date on what changes are occurring in Southwark.

Finally, the **attitudes of Barrow council at a senior level** were beneficial to the projects success. For example, shared services was seen as part of a wider concept of improving public services and a more holistic strategy for service provision. This helped frame the concept as more than a cost-saving exercise and fostered an atmosphere more conducive to large-scale changes.

Lessons learned

- Cultural differences in local service provision are often played up by critics. clearer arguments are needed to counter this, arguments that focus on citizen centred services and the similarities in core processes.
- Other councils with no political consensus see less drive for these sorts of projects from central party initiatives.
- There needs to be a fuller understanding of the wider context, regionally and nationally if people are to be able to work together.
- Local government needs more and better examples of what is achievable.
- Accept that there will be errors as there always are. Be ready to deal with them.
- Private partners must be understanding and flexible.

- Local government outsourcing must be somewhat sensitive to branding, style and look. A balance is needed between this and standardisation.
- Be sure to understand the manifesto commitments of each council.
- Understand the day-to-day headaches of the staff and managers within each department and see how shared services can solve these.

CASE STUDY Anglia Revenues Partnership (ARP)

Project outline and context

The Anglia Revenues Partnership came into being on the 1st of August 2003 when councillors of Breckland and Forest Heath District Councils signed an agreement to form a partnership to deliver Revenues services to both authorities. Since then the staff, IT and accommodation have been brought together to maximise the working efficiencies envisaged in the original business plan. The public – public partnership methodology offers real opportunities to drive down cost of service delivery between like minded local authorities. It provides the best of the public sector but also learns from the private sector to encourage a new performance culture that succeeds in providing the desired service improvement. In December 2005 East Cambridgeshire district council applied to join the partnership and were accepted as the third partner of the ARP. The service delivery for East Cambridgeshire will commence on the 1st of April 2007 when the current outsourced contract with Capita ends.⁴³

- Breckland and Forest Heath Councils are relatively small district council neighbours across county borders.
- Both are majority Conservative constituencies.
- Initially expected to be based in a ‘neutral’ location, it was found that basing it in the existing Breckland location would be more effective and cost-efficient.
- The ARP has successfully raised performance to top quartile in all key Best Value Performance Indicators for the services that it provides, whilst saving the two founding partners in the region of £500,000 per annum in the delivery costs of the services.

⁴³ Knights S (2006) *Anglia Revenues Partnership – a Case Study*

- Received Beacon Status for *Transforming Delivery of Services Through Partnerships*.

Key drivers

In 2002 Breckland was one of the worst performing authorities in the country. They wanted **improved performance, reduced base costs**, stronger more **resilient services** and a flexible and commercial attitude to service delivery. Shared services was seen as the tool to deliver this. Expansion and the ability to **trade and make profit** through the new services was always a key driver. The councils also wanted to be one of the first to use shared services really successfully. They see it as the likely way forward for all councils and did not want to be forced into decisions by financial necessity or legislation at a later date. A partnership approach was taken because the authorities needed to pool resources if they were to realise economies of scale.

“The partnership provided the opportunity to tear the rule book up and build an organisation from scratch.”

Senior Member

Key obstacles faced

The core challenges for this project were internal. Public-public partnership was something of an unknown quantity at the time and the **lack of available case studies** and evidence caused some concern among stakeholders. This made it harder to know how to work innovatively around **restrictive procurement legislation** and the transfer of staff. There were particular concerns around the **location of the shared services centre**. The final decision, based primarily on cost and efficiency, was to base the service in the existing offices of one council. This meant the transfer of staff, longer travel times and unsettled staff. It was also thought that some stakeholders would see this as a takeover step from rather than real partnership.

Different challenges emerged when the partnership looked to expand through East Cambridgeshire. For example, some senior stakeholders had concerns about the project **getting too big too fast**, losing too much control, compromising governance systems and diluting the benefits of economies of scale. With East Cambridgeshire Council coming out of an already outsourced contract, the case for shared services also needed a stronger competitive edge.

Another, albeit minor, challenge for senior members was the need to factor in the **impact of decisions on local businesses** and suppliers.

Success factors

Internal pressures were eased by a number of factors, both attitudinal and operational. Staff concerns were ameliorated by the fact that **“natural wastage throughout the life of the partnership has not resulted in any redundancies” Senior Member**. More importantly, the project had **strong commitment from members, senior officers and at management level** for driving up performance and customer standards in any way possible. They were looking for systems which would allow them to face the future, not live year on year, and they were **“happy to let the experts do their thing if it delivers results” Senior Member**. This meant the project was more **free to experiment** and try out new things.

Some factors were particularly important in allowing the project to expand later. Project leaders felt that by **starting small and building relationships** on a solid base they were able to build support and put the systems in place to ensure successful expansion later. The project was also able to be **flexible and accommodating** in the way it is integrating the new partner, developing a fixed-price contract that factors in the lack of up-front investment from the late joiner. From East Cambridgeshire’s perspective, members also saw the political advantage of **bringing employment back to a more local level** after years of outsourcing around the country. This helped develop the political will for joining the ARP.

Other beneficial factors included the **nature of the council relationships**. These were based on geographical proximity and similarities in electorate, rurality and political control but worked across county borders, which meant the project **“carries less historical baggage” Senior Officer**. Finally, government grants financed the technological developments necessary, allowing the project to progress at a quicker rate.

Lessons learned

- It is not always clear what the benefit or incentive is for a successful shared services venture to offer its expertise and experience to other councils. A clearer incentive would stimulate greater sharing of expertise and experience within the sector.

- Projects have to ensure that they are ‘future-proof’ and scaleable if the potential of shared services is to be realised.
- The agenda is improving services, not just implementing shared services. Once organisations have momentum, keep building. Its harder to get things started once inertia sets in.
- There is not enough incentive for authorities to really utilise best practice and use the expertise already out there. For example, the improvements being driven by the Regional Centre of Excellence are not as great as those already being delivered by ARP. This seems counter-intuitive. There must be a framework in place to ensure new shared services use the data and know-how available and maximise the potential benefits from shared services.

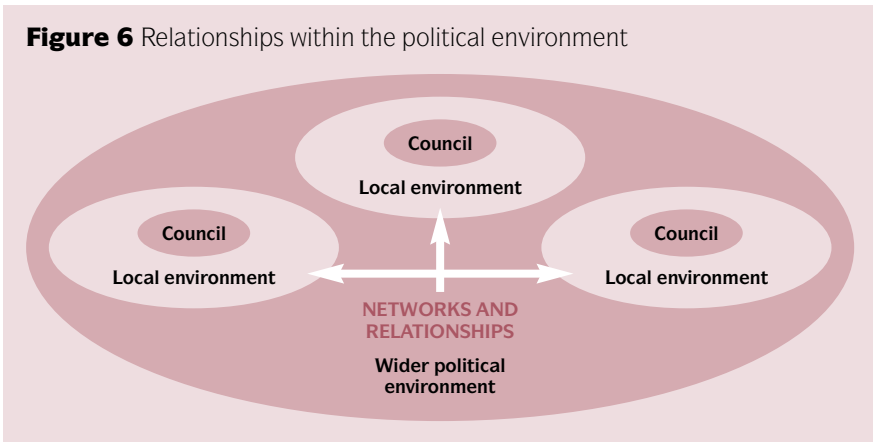
6 Analysis

Respondents across the board felt that the financial constraints of CSR07 would drive greater sharing in local government. The need for cost efficiencies will encourage sharing but without greater understanding of the political and cultural context around the agenda they will not be enough to ensure projects succeed.

The case studies offered a coherent picture of the particular political, economic and cultural environment of local government and the pressures exerted on decision makers with regards to shared services. Common themes emerged which related directly to our two initial research questions.

The following chapter draws out these themes and looks thematically at the core underlying obstacles to shared services. These challenges will be analysed in three sections; internal challenges for the authority itself; external challenges from the wider political environment; and finally, the challenges specific to relationships between shared services partners within that environment.

Figure 6 Relationships within the political environment



The first section looks at the most common and important issues for internal stakeholders. Challenges for councils include building internal support among staff and ensuring that the skills and atmosphere exist in which shared services can flourish. Some of this overlaps with research into organisational change

management but the focus is on issues specific to local government and the delivery of public services.

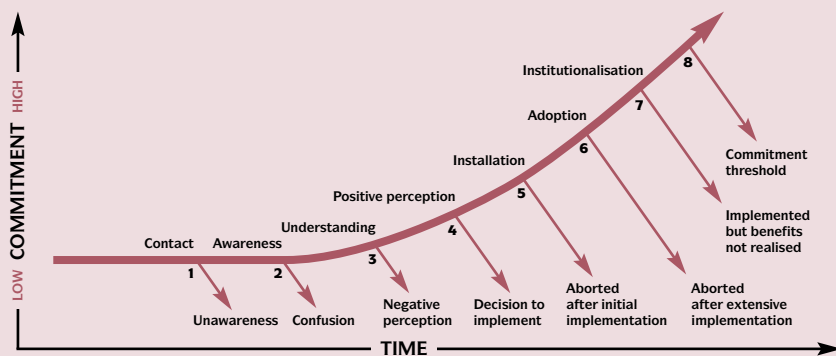
Section two looks at the wider political environment and context in which shared services operate. There are broader policy issues that affect local government decisions and shared services in particular which must be acknowledged and addressed if the agenda is to make greater and more rapid progress. These include relationships between the central and local arms of government and the need for local government to factor in the impact of shared services on the local economy.

Finally, the third section analyses what factors are important when building shared service relationships. Understanding how these relationships are formed and what sustains them is important for comprehending what has been preventing greater shared service successes across local government.

1 Internal challenges

The first step for authorities considering shared services is to ensure that they have an appropriate internal environment in which these projects can succeed. Most importantly, councils need to know that their internal stakeholders – members, officers, managers and staff – are ready and willing to make the change. The figure below shows how an organisation with support for, and an understanding of, shared services is more likely to make the change successfully.

Figure 7 Building commitment to change



Source: CIPFA (2006) *Enterprise Workflow Project toolkit*, cited *Shared Services: The Opportunities and Issues for Public Sector Organisations*

Without this support, projects stand less chance of succeeding or of maximising the benefits to the organisation, services and the public. The key challenges to internal stakeholders that were revealed by the research, including:

- fostering internal attitudes which are conducive to the acceptance and development of shared services;
- the need to get member interest and understanding in what can be a complex and politically intangible subject;
- the challenges of party politics;
- the potential conflict between standardisation and local flexibilities;
- developing the role and skills of councillors to engage with shared services;
- reassuring staff over the impact of shared services and outlining their new role; and
- getting the support and collaboration on managers and professionals.

These findings are expanded on and analysed within the sections below.

Developing the right outlook

The first challenge for authorities is to foster internal attitudes which will promote effective joint-working. Shared services should have the citizen at the centre of their thinking, focusing the services around their impact on the end user, not on the processes themselves. The experience of leaders and project sponsors in this research was that once this view was developed throughout the organisation many of the obstacles to shared services were minimised. Those that had worked hard to cultivate this attitude such as Suffolk and Surrey, found it a powerful tool for overcoming internal resistance and ensuring everyone was heading in the same direction. As one senior AGMA officer explained, **“getting agreement on a wider vision and direction made it easier to get agreement on the process for getting there”**.

The second attitudinal factor emerging from the research, was that councils were more open to shared services when they were not seen as goals in themselves, but part of a wider agenda for improvement. Councils thought shared services stood a greater chance of success if stakeholders could see them in the context of an improvement agenda across local government. As one senior council officer

made clear, **“we are not just interested in shared services but it is one part of our commitment to modernising the whole council”**. It is particularly important to have this attitude in place at the top of the organisation, but the further down it is ingrained, the greater tool it is for over-coming institutional inertia. As the ARP stated, **“it is a lot easier to keep the momentum for change once you have it, than it is to build it from scratch every time”** **Council Leader**.

Politics and politicians

The research showed that another major challenge for shared services was gaining member support. Shared services cannot make it beyond the ideas board without it. All respondents agreed that sharing back-room services was not an attention-grabbing topic and would not win politicians many votes. This makes it a substantially less interesting prospect for many members, potentially undermining organisational commitment. Suffolk for example, had to work hard to get interest across the council to ensure the project had enough momentum to carry it through to completion.

The case studies suggest that this lack of interest can lead to poor understanding of the topic. In turn, this can breed a sense of suspicion and exclusion among members which can fester and undermine political support. As the Scottish Multi-Agency Project shows, where project sponsors have worked hard to get understanding and acceptance from across the council there is a greater optimism over the future success of the scheme.

The most common way of building interest among members was for project sponsors to create clear, tangible links between shared services and those issues which matter to members – improved services, reduced council tax and higher customer satisfaction. Politicians know that perceived value for money, quality of services and the ability of the council to communicate these to its constituents are vital to driving good public satisfaction levels.⁴⁴ Shared services address two of the three issues above and the idea becomes significantly more attractive for members if authorities build a political case for it around these factors.

Literature suggested that party political differences would prevent sharing across councils as parties disagree over priorities and seek to undermine each others decisions. The evidence suggested that in reality, the goal of cost efficiency in

⁴⁴ IPSOS/MORI (2004) *What Drives Public Satisfaction With Local Government*

local government is universal. Savings derived from shared services can be used by councils to suit manifesto and policy priorities, be it council tax cuts or investment in services. The case studies show several projects working across political lines and one respondent commented that **“you wouldn’t even know who was what colour around that table”** **Regional Centre of Excellence.**

Party politics may not matter but uncertainty around elections and changes in political control can have a damaging impact on shared service ambitions. As a district council officer explained, **“there is a need for political parties to distinguish themselves, and this could be by opposing a shared services venture”**. This can be seen clearly in Scotland where local elections, to be held in May 2007, are expected to change up to two-thirds of councillors under the new Single Transferable Vote (STV) system. Most respondents thought this would lead to delays as new councillors take the time to familiarise themselves with projects. A small number of respondents thought that major projects not finalised by this point would be shelved completely. Councils with large political majorities are less likely to be affected by such changes and able to implement potentially contentious large-scale changes more easily. In hung or finely balanced councils the approach needs to be more cautious, taking time to build cross party consensus which will protect the project from political disruption.

Issues of control and governance

To get political support for shared services projects must get the right balance of centralisation, standardisation, control and flexibility in services. Members are more than aware that a ‘slip’ in standards can mean a loss of public trust in them and their services. For this reason, politicians are cautious about the risk posed by shared services and prefer to retain complete control of council services.

Shared services require some move to an outcome focused system of service provision in order to maximise efficiency gains and produce real service improvements. The perceived distance this creates between the service and council was a concern for members who **“still see themselves as professional leaders of the service, rather than being charged with providing the best service possible for the Council Tax payer”** **Senior Officer, District Council.**

Several senior officers mentioned members who fell into this category.

The concept of trading some direct control for cost efficiencies was seen by respondents to be even more difficult for members in smaller councils due to

their perception that they were less bureaucratic in nature and had a closer relationship with their electorate.

Because control is such an important issue, councils are also wary of joining already existing shared services where they would not be controlling partners.⁴⁵ Most members in this research were uncomfortable buying into an existing venture. Though this was seen to reduce the risk and resource needed in the development stages of projects, members and some officers had concerns that they would not be able to influence the direction of services sufficiently if they were not involved up-front.

New skills are needed if councillors are to feel comfortable with this new approach to delivering services. It was contended by several respondents that if members were better able to understand their role in shared services and how they can influence outcomes they are keener to support shared service implementation. Shared services received more support when officers and private sector suppliers took the time to explain what the role of members would be in the new system. One chief executive believed that government needed to take a **“more directive role in impressing upon local government their role as future commissioners of services rather than providers”**. This includes developing scrutiny skills, making non-executive members less wary of shared services and giving them the confidence and opportunity to challenge service outcomes.

Localism versus standardisation

The research suggests that the need for control is closely linked to concerns over balancing flexibility with standardisation and economies of scale. Local authorities are unique and need to be responsive to local needs as they arise. Some respondents saw shared services as contradictory to the responsive, flexible, customer-centric services necessary for meeting these needs. The perceived need for flexibility has three sources.

Firstly, **“a council quite legitimately wants and needs to distinguish itself in the eyes of its electorate”** **Corporate Director, Scottish Council.**

Showing the electorate that councils are acting in their specific interests was important to both members and officers. Feedback from AGMA respondents

45 Oughton J cited in OGC (2006) *Delivering successful efficiency - the Government's strategy*

suggested that even the branding, size and make of bins can be an important local issue. Some members thought citizens would see a joint council-branded bin as evidence of local government distancing themselves from local people. The thought of standardising services across councils or delivering them through a centralised system left some respondents unsure how they would then be differentiated from their authority peers by the public. The most successful shared services, such as the Suffolk CSD, recognised this and accepted some flexibility were necessary, particularly in branding.

Secondly, the desire for local flexibility is seen as vital in highly politicised services in order to respond to changes in local needs. Again, AGMA representatives described local elections being won and lost on the frequency of waste collection and were unsure how they could respond to local wishes under a shared service arrangement.

Thirdly, as the AGMA waste project demonstrated, some councils have invested heavily in developing their services based on community engagement and citizen involvement. When social capital or community strategy is built around local characteristics it is harder for respondents to trade these flexibilities for cost savings.

The case studies reveal that it is important for decision-makers to judge the strategic value of variations in service and balance them against the potential cost savings. It was recognised that some claims for flexibility are merely an attachment to ways of working and not advantageous for citizens. Private sector stakeholders in particular thought that the huge similarities in systems and processes across local government were not really appreciated or understood by local government management. Where these concerns represent parochial interests senior local government respondents believed strong leadership would overcome them.

Attitudes towards the private sector

As the paragraph above shows, disagreement exists between private and public sector attitudes to shared services. The reality is that for some authorities the investment, resource and experience needed for shared services are only available through the private sector. Shared services may benefit from private sector involvement, but this creates additional challenges.

Local government is still not always comfortable working with the private sector. For Unison Scotland, shared services involving the private sector were seen as a disturbing move towards privatisation leading to out-sourcing and off-shoring. This view is also present, though considerably less strong, inside local government. Respondents with negative experiences of the private sector were keener to share these than those who were part of successful partnerships. In one instance, an interested private sector partner was told by council opposition that when they were elected there would be no further role for them in delivering services. Even those projects with relatively successful public-private partnerships, such as Barrow and Suffolk, mentioned difficulties in persuading all internal stakeholders of the benefits of private sector involvement.

An analysis of case study responses suggests that these privatisation arguments are at times used as an intellectual and ideological weapon with which to fight other underlying battles. They offer a pretext for those opposed to shared services to lobby against shared services. Such concerns must be addressed.

The workforce

Around a third of respondents thought HR issues would be the biggest challenge internally. For some members, the effort and political will required to win people over was thought better spent in other areas.

The HR related hurdles mentioned throughout this research include:

- concerns over changes to working conditions and contractual changes;
- disruption to staff;
- retraining;
- introduction of new technologies and working practices;
- the possible break-up of established teams and relationships; and
- extra travel to a new shared services location.

These are not new issues and are common to all organisational change. Most respondents accepted the common consensus that they could be overcome by

strong leadership, clarity of objectives and a shared vision.⁴⁶ Nevertheless local government decision-makers were explicit that they must pay more than lip service to employee's concerns.

The first issue in the previous list is the uncertainty surrounding the transfer of staff under shared services. Officers put this high on the list of concerns for staff and also for themselves. TUPE (Transfer of Undertakings) was not thought by officers to address all staff concerns. As Liverpool Direct and Suffolk CSD show, secondment to shared service businesses brings with it greater security and consistency but it can also lay a greater proportion of the risk with the local authorities involved. Some respondents were concerned that surplus staff would be returned to the local authority later down the line with all the associated costs taken on by the council. There is no easy answer for authorities, but an agreement must be reached on each project which reassures staff, unions and managers before progress can be made.

Other respondents thought the central issue lay in the perception of shared services among staff. Some staff feared shared services would implement a scientific management-style division of labour in public services, reducing their capacity to make a meaningful impact on service users lives and reducing job satisfaction. Those in charge of Surrey's HR change process saw this perception as the greatest obstacle. Officers, managers, leaders and private consultants all agreed that overcoming this perception would give great impetus to the shared services agenda at this level.

In order to do this, respondents from the most successful case studies showed a real commitment to ensuring shared services were a positive step for staff. A core benefit of shared services for existing ventures is its ability to **“release staff from the drudgery of their old, siloed and out of date methods of working”** Council Leader. Making sure council staff see it that way as well reduces internal resistance. Others used evidence of high staff satisfaction, lower turnover and more fluid labour movement between areas to make the benefits of shared services clear to concerned staff concerned.

Another way councils eased staff concerns was to actively show them what a shared services environment would be like. Liberata, Surrey and Suffolk all had experience of visiting staff from other councils. These tours had reassured visiting

⁴⁶ Accenture (2005) *Driving High Performance in Government*

staff that shared services do not create ‘sweatshops.’ but can actually lead to smarter, more effective tools, efficient new technologies and higher quality more joined-up functions.

The important factor in both recommendations is to involve and engage staff early in the process. Authorities claimed this reduced suspicion of the venture and avoided difficult discussions later down the line. Analysis of the case studies also suggests that a full and frank discussion with staff around the future of services would utilise their expertise to help to produce the best services possible.

Managers and professionals

Other issues were raised by senior officers about the role of middle management and professionals in shared services. ‘Turkeys for Christmas’ was a phrase often used, and as one district council officer put it shared services can mean, **“a big fish in a small pond suddenly becomes a very small fish in a much bigger pond.”** These are common concerns in any organisational change but it was exacerbated by the fact that members rely on these professionals to inform and advise them. This was believed to lead to ‘negative internal lobbying’ which could unsettle councillors. As senior officers and members pointed out, **“we are not here to perpetuate little empires”**, however, these issues must be recognised early. The longer they are ‘left to fester’ the stronger this kind of lobbying can become. Project sponsors should ensure that members have access to all the information necessary to make their own decisions on shared services and to challenge all stakeholders.

Shared services present other challenges at management level, including getting agreement on standardising best ways of working. Senior officers in this research stated that this could create battles for the dominance of ideas among managers. Some outlined obstructive managerial attitudes which declared **“if it was not invented here, I’m not interested”** Senior Officer. In one example difficulties arose around the sharing of road maintenance because professionals could not agree on the best type of tarmac to use. These professional differences should not be allowed by project leaders to hinder the over-arching goals of improvement and efficiency.

Finally, local government has limited resource and some senior officers thought that shared service projects were seen by staff as secondary to the everyday duties of an authority. As such they did not receive the full attention and resource necessary to ensure their success. For example, misinformation,

contradictory figures and lack of clarity were quoted as key obstacles to the political acceptance of shared services projects at an early stage. Staff under pressure to deliver this information on top of their usual jobs can find it difficult. The Scottish Multi-Agency Project and AGMA project understood very quickly that the only way to make progress was to dedicate project management resource to the venture. This point has been made by previous research, but it is worth restating here.

Recommendations

The following recommendations emerge naturally from the obstacles outlined above. They offer stakeholders realistic, achievable ways of ensuring their organisations are well-placed to implement shared services successfully. This means ensuring shared services is not seen as an aim in itself, but part of a program for delivering modern, flexible, efficient services. It also means giving members and stakeholders the time, information and opportunity to really question the agenda, reducing resistance and delivering better, continually improving services. This way difficult conversations are had early and better outcomes can be developed.

Instil a citizen centred approach

Councils should publish a long term view on how use of shared service could contribute to their community strategy, as well as:

- clear citizen outcome statements before shared service projects begin; and
- strategies and goals for management of staff transfer and job enrichment prior to shared service projects being selected.

Councils should appoint project directors accountable for delivering the outcome statement.

Make shared services important and clear

Council succession planning should make shared services projects central to their wider strategy – preparing middle management for change.

Improve scrutiny

Political accountability and managerial stability require that councillors gain greater oversight and involvement in shared service delivery. Overview and scrutiny should make shared service projects a specific subject of regular study.

Work across parties

Project sponsors must engage with all political parties on the council.

Greater procurement and market management skills are needed

Councils need to be able to understand and influence potential suppliers' decisions on market offers.

Make it tangible

More should be done to familiarise local government with the realities of shared services. Local government should make more of those projects already functioning and encourage first-hand experience through visits or secondments which will help minimise concerns.

2 The wider context

The section above shows how councils must have the right internal environment before shared services can succeed, but local government and shared services do not operate within a vacuum. Projects with excellent working relationships and the right internal environment are still exposed to wider environmental pressures which will have an impact on the shared services agenda. The case studies highlighted several of these, including the role of central government and central policy, the dynamics of the shared service market itself and the impact of local government decisions on the wider community. This section will look at each of these challenges and how they have the potential to create obstacles for authorities considering shared services.

The role of central government policy

As with all local government policy, there is a role to play for central government. There is a historic tension between the local and central arms of government with the common argument that central government's centralising tendencies restrict local government's ability to innovate and improve.⁴⁷ Several respondents agreed that a clear cause of low take-up in shared services was the restrictive nature of the performance framework already in place. Some authorities were wary of dedicating resource to developing shared services for fear it would lead to a fall in CPA scores elsewhere.

⁴⁷ LGA (2006) press release: *White Paper is significant step on the long road to devolution*

Where shared services were seen by respondents as too centrally driven there was a more negative perception of their place in the local government toolkit. There was little faith from local government respondents in Government sponsored ideas. Conditions are not those in which Government sponsored policies are snatched up at a local level.

The case studies suggest that another major impact of central policy on shared services is the perceived desire in Government for unitarisation. There is considerable apprehension among district and smaller councils around enforced local government reorganisation. Some respondents felt that by fully integrating back-room functions the organisational, administrative base of councils might be seen as indistinguishable from each other. This is perceived as a step closer to full merger. Consequently, most small councils in this research noted the difficulties of forming any relationships with larger neighbouring or county councils which might make the argument for reorganisation stronger.

In some instances the threat of reorganisation is not preventing joint-working but is promoting it under the wrong motivation and limiting the choice of partners. For example, participants in the Scottish Multi-Agency Project have been open and vocal about the defensive nature of their shared service plans. They are sharing to achieve cost efficiencies which they hope will minimise one of the core arguments for integration with their larger neighbouring conurbations. This could have drawbacks. For one, it limits choice in partners, excluding the larger councils from projects which might benefit from their involvement. Secondly, it risks undermining the real reasons for implementing shared services – to improve services for citizens and to maximise the use of local government resources.

The fact that Government has been pushing the shared services agenda has created resistance at a local government level. For most respondents, a top-down approach to shared services was seen negatively as an ineffective, centralised, ‘government as usual’, approach. As might be expected, most respondents rejected any further ‘stick’ approach to driving shared services other than that which a tougher CSRO7 might deliver. As responses in Suffolk showed, there was also scepticism that Government is in a position to really push an agenda that that they themselves have had so many problems implementing.

The large majority of respondents thought it more important to get consensus on shared services at a local government level. The consensus was that councils

were **“more comfortable working within and learning from the local government family”** **Chief Executive, City Council**. There was some suggestion that the Local Government Association (LGA) should be driving this agenda more.

This does not mean there is no role for government. While there was little sense of unity in purpose and approach across England, the strategic approach of the Scottish Executive towards the Efficient Government agenda has been more constructive. Focusing on fewer, more strategic shared service prototypes has given all authorities common projects to monitor and learn from. This created more unity of purpose and a more positive attitude towards the Scottish Executives' role in the shared service agenda.

Specific mention was made of Finance Minister Tom McCabe driving forward this agenda and this helped authorities to know where to turn when considering shared services. Respondents from Scottish authorities were confident that the direction of travel in the Executive was consistent and that the power was now in their hands to deliver on this. Some respondents felt that projects were actually being held up by the slow progress made by the Executive in agreeing funding. This has helped formulate the sense that this agenda is being embraced by local government on its own terms rather than being forced upon them. This attitude and framework was more conducive to shared services than the more **“muddled”** **Executive Member** English approach.

The Scottish Executive's *Transforming Public Services* and related consultation papers have also gone further in explicitly developing shared services within a wider improvement agenda. The feeling from Scottish councils in this research was that this had helped make it about more than a cost cutting exercise, delivering momentum at a local government level and a commitment to continuous improvement. Section one in this chapter stated that councils with this progressive attitude were more open to shared services. This must be achieved internally but there does appear to be a role for government in helping develop this attitude by getting the right framework and tone in central policy.

Making the most of good practice

Having this framework in place is helpful but authorities also need to see that shared services will deliver what is expected of them. The majority of those interviewed in this research believe **“there is a lot more talk than solid success”** **District Council Officer** around shared services. It is telling that in the

course of this research the same examples were mentioned frequently by respondents. A common thread across the case studies was that the examples currently being used are doing little to encourage new take-up of shared services and that an over-reliance on international evidence and large government projects is undermining confidence in the agenda.

The perceived failure of current shared service projects to talk about their benefits has added to the suspicion. Respondents, particularly from smaller councils, believed that if they were able to see these projects succeeding within local government then momentum would build behind the concept. The ability to 'touch and feel it first-hand' in this way was thought to be a strong tool for convincing sceptics, unions, staff, members and officers of the merits to shared services. The popularity of visits to shared service centres such as Surrey, Suffolk, Barrow and Liverpool by public sector organisations certainly illustrates the depth of interest in the concept.

So who is supposed to be leading the shared services drive and why has it not been more effective? As the Surrey case study highlighted, several councils were waiting for shared service ventures to approach them. Meanwhile the already operational shared service businesses in this research were wary of taking their successes to other councils too soon and questioned how it would be in their benefit to do so. There is a contradiction here that should be addressed.

If local government practitioners are to be persuaded to take up this role then there are some concerns to be addressed over how to motivate high-performing councils to share services with other under-performing authorities. Authorities in this research with the expertise and the track record to deliver and lead on a project did not always see significant benefit to themselves in sharing. As Neil Pringle, Chief Executive of Herefordshire County Council, stated at a recent NLGN conference, **“shared services are inherently competitive because councils are measured by what they get out of them”**. As one AGMA project showed, there has to be some driving force for all partners, be it cost efficiency, service improvement, employment gains or something else. There is currently insufficient incentive to help other authorities.

Of the case studies in this research, only the ARP has really taken the opportunity to take their systems out to a wider market and this is because trading was always seen as a strategic goal of the project.

Private industry is keen to fill this gap and respondents from the private sector were confident in their ability to take this initiative forward. But local government interviewees thought that concepts driven primarily by the private sector aroused suspicion. Some respondents stated that the huge emphasis placed on shared services by the private sector and the aggressiveness with which the agenda had been pursued had not led to a balanced debate in a local government context. Stakeholders would be more comfortable if private sector enthusiasm was matched by rigorous evidence and marketing from local government itself.

Creating a coherent strategy for shared services

Whoever is best placed to take forward this agenda, they must be embedded in a more coherent strategic shared services framework. Shared services in many English local authorities have been developing under pressure but with no perceived over-arching guidance or plan. Comments were made that this approach created a fragmented and unnecessarily complex shared services market. This posed difficulties for local authorities trying to make use of it now and was thought to be a potential obstacle to long-term sharing across the sector.

Most respondents were keener on a piecemeal, cherry-picking approach to shared services which would allow greater flexibility across the sector. Respondents wanted a market to develop in which they could plug in and out of different systems depending on circumstances, the strategic importance of the service and the relative success of the system. But few stakeholders in the research were ensuring that their own projects were compatible with others in the sector. A flexible shared services network is seen to be as far away as ever.

Respondents from larger and upper-tier authorities were most explicit about this lack of strategic thinking while smaller clusters and councils in the research remain more concerned with ensuring the success of their own projects in isolation.

The Scottish Executive approach to shared services makes greater reference to this issue. A core component of the Pathfinder projects is that they are expected to be scalable and capable of expanding to bring in other councils and public sector partners in the long-term. Nevertheless, respondents questioned the reasoning behind the three core pathfinders using different systems and software

to develop shared services. Glasgow for example, wanted greater joining-up across the Scottish pathfinders and thought that much of the work being done now could be rendered obsolete if standardised shared service platforms were delivered.

Relationships between private sector providers and local government have not helped this issue. Respondents thought private suppliers were too keen to lock authorities into systems which were not compatible across the sector. Private suppliers conversely, thought that local government wanted too much flexibility and too many bespoke systems to really allow them to join-up across projects.

These disagreements and the lack of consensus were believed by some respondents to create unnecessary duplication across projects. Respondents from the private sector in particular thought it should **“not be necessary to reinvent the wheel so often”** **Consultant**. Yet only a few authorities in the case studies were using the information and experiences of existing projects. Work by organisations such as 4Ps, the Improvement and Development Agency (IDeA) and Regional Centres of Excellence has not been well used and very few respondents mentioned its role in developing their projects. In one instance, government-sponsored best practice work was seen by a shared services project as undermining and ignoring the reported successes of their own work. This disinclination to fully utilise the expertise and experience already in place seems counter-intuitive.

Impact of shared services on the community

Finally, some notice must be paid to the impact on shared services on the local community. One of the most volatile political factors in shared services was that of local employment. Joint-working does not always lead to job cuts but a high proportion of local government costs are tied up in the labour force and sharing across authorities often means relocation or redeployment of resource. All authorities recognised the challenges this posed. As one officer put it, **“if wanting it all on your own patch is a prerequisite of shared services then these projects are going nowhere nationally”** **Corporate Director, Scottish Council**.

This raises issues for authorities and their strategic planning around shared services. For example, as the Liberata work in Barrow and Pendle shows, shared services can help regenerate town centres by attracting new business and

employment. Similarly, the drivers behind East Cambridgeshire's involvement in the ARP show that the ability to increase local employment is a powerful incentive for members considering shared services.

But there are likely to be winners and losers when it comes to shared service jobs. A business case will usually suggest a shared service centre location based on cost analysis alone, yet local government has other considerations. Manifesto pledges often focus on local employment and some authorities operate strict 'no redundancy' policies. Where an authority accepts redundancies, **"it is a no-brainer for the opposition to play the jobs card"** **Executive Member, District Council.** These factors create political resistance to shared services and particularly to large shared service centres. There are **'legitimate questions to ask as to whether the authority is there to provide jobs, or to provide services.'** **Regional Centre of Excellence.**

This was perceived as less of a problem in and around large cities. Authorities with higher labour mobility and a culture of commuting around a large conurbation thought there was more scope for strategic labour planning and agreement over location. In Greater Manchester for example, this was not raised as a significant obstacle.

In areas reliant on public sector jobs, with ageing transport links and high levels of deprivation the movement of labour brought considerable political pressure. The centre in Barrow received little or no interest from neighbouring district councils where members were not willing to consider relocation of local jobs. This can produce awkward compromises which undermine the whole concept. In one example, plans were made for a shared services centre to be built exactly on the boundary border between two authorities. This boundary existed in a field with limited access to infrastructure but it solved the issue of who claimed the employment benefits.

Authorities acknowledged location analysis would be a 'crunch' time for the process and that it would take considerable negotiating skills, but most were optimistic that the benefits of the underlying concept and local government's ability to handle employment issues sensitively would overcome these problems.

The 'centres of excellence' approach to shared services was a particularly well regarded response to employment pressures. In this model each authority could host a shared services centre for a cluster of functions which minimised issues of reductions in employment. Several smaller authorities now developing shared

services thought this would present a constructive way forward which would be more politically acceptable to members.

Shared services have other secondary impacts on the local community which must also be taken into account. Services joining-up to benefit from economies of scale develop larger, longer term contracts and supplier relationships, inevitably meaning fewer or more centralised suppliers. One chief executive commented on the **“tension between economies of scale and being able to place the business locally”**. These tensions can reduce the level of cost efficiencies that councils will pursue. New delivery systems require some degree of standardisation in order to deliver cost efficiencies and join-up services. One leader of a large upper-tier council acknowledged that the council was **“acutely aware of the impact this might have on those smaller, ‘traditional’ local suppliers who could not afford to meet these demands”**. A conscious decision was made by Surrey to offer some flexibility in systems rather than focusing entirely on maximising cost savings. Local suppliers were valued as local employers, important links in the local economy and as houses for considerable local expertise and skills. The need for factoring in these wider variables is not always recognised by shared service partners.

Recommendations

Local government does not exist in a vacuum and must be aware of the impact its decisions have on the wider community. Nevertheless, there are things that can be done at a wider strategic level, in local government and Whitehall, that would help create a policy environment more conducive to effective collaboration. This includes **‘develop[ing] innovative methods for incentivising and encouraging authorities to use their expertise to help other, underperforming authorities’⁴⁸**, having a clear role for agencies able to lead the agenda, making more of existing shared service enterprises and developing a more coherent, long-term shared services strategy.

Provide better incentives for greater exploitation of shared services

- A portion of grant funding for back office functions should be calculated as if all councils were as cost effective as the best councils.
- Councils should also be guaranteed that a proportion of savings from shared service projects will be retained for local investment by the council.

⁴⁸ DCLG (2006) *Strong and Prosperous Communities*

Provide better information

The Audit Commission should be tasked to publish comparative cost data for core back-office functions.

Make more of the successes

- The LGA/COSLA and other local government affiliated bodies should develop new case studies which would ensure that work is trusted, relevant and well received.
- The LGA/COSLA should arrange for an online data bank of shared service projects, to be available for all councils; providing financial, project planning and strategic process comparators.
- The LGA/COSLA should produce an approved list of individuals and teams within local government that have the capacity and expertise to trade their shared service consultancy skills within the sector.
 - Government should consider match funding for developing and marketing this list.

More joined-up thinking

- Where shared service projects are planned, there should be an assumption that councils not in the top ten percent of performance will either buy into, or copy the systems of the best councils.
- Proprietary software, locking councils into using one supplier, undermines quality and user focus. Local government should develop generic supplier agreements for the sector, requiring systems interoperability as a precondition for permission to bid.

Remove the obstacles

A ministerial-level Shared Service Forum should bring together councils, departments and private sector providers to identify legislative and regulatory obstacles to effective delivery.

Make a decision on reorganisation

A definitive statement on future plans for local government reorganisation should be published alongside the government response to bids for unitary status made following publication of the White Paper. Similar reassurance is necessary in Scotland.

3 Relationships

Individually, councils are ready to consider shared services,⁴⁹ but they must also be able to find appropriate partners if the agenda is to deliver the best possible outcomes for citizens. Many of the issues above have a direct impact on how these relationships between shared service partners develop. In this final section we look more specifically at joint-working relationships. It is useful to look at those studies where councils are sharing to see how and why they do it. How these relationships form and what pressures are exerted on them can help explain what can pull them apart. The case studies in this research cover a range of council sizes and types which throw up a number of such pressures, including regional power imbalances, local rivalries and the development of private sector contracts.

How and why shared service partners are chosen

Initially it might appear that local rivalry is affecting shared services. Several respondents declared that regional neighbours did not always make the best partners due to underlying animosity and local rivalry. One authority thought their position on the border between two once fractious county authorities made it easier for them to work across the region. One or two others mentioned authorities that had joined projects to avoid working with their neighbours but nevertheless, these were the minority. No respondents acknowledged local rivalries as a major factor in their own choice of shared service partner. The consensus is that ten years ago these territorial rifts might have prevented joint-working but that the modern political and financial context relegates these issues to background noise.

Proximity appears to be an advantage for shared services as they currently operate. Modern technological advances mean that many local government functions can be delivered from distance, yet for the large majority in this research the first step to shared services was to turn to neighbouring councils. This evidence supports the wider consensus that councils usually select partners based on geography.⁵⁰

Case study interviews suggest that shared services grow organically from existing local relationships because of the levels of trust necessary between partners. As

⁴⁹ Smulian M (28 Sept 2006) article in *Local Government Chronicle*

⁵⁰ Smulian M (28 Sept 2006) article in *Local Government Chronicle*

one executive director summarised, “**these projects do not work cold**”. The AGMA project and the Scottish Multi-Agency Project show how natural relationships form between neighbouring authorities through regular contact and common regional issues. Respondents believed it was easier to approach shared services within previous good local relationships as they promoted candid, open discussion which facilitates trust and effective sharing.

Other authorities thought joint-projects worked best when they were based on similarities in the socio-demographics or rurality of council constituencies, though in reality these still remained rooted in local geography. For example the Welland Partnership spans five authorities in four counties and came together around a sense that their electorate and service users were similar in nature, but they are also neighbouring authorities. Conversely, Ipswich City Council felt that the differences between their constituents and those across other Suffolk districts did not make its services an obvious fit with Suffolk’s CSD. The shared goals and policies which emerge from similarities in citizens make sharing simpler and more attractive.

On a more operational level some shared service relationships formed based on the timescales and lifecycles authorities’ existing contracts. As councils reach the natural end of their current arrangements officers were more likely to take the opportunity to look externally and across councils because it did not risk contract penalties or disputes. East Cambridgeshire’s involvement in ARP developed from this premise, though again it relied on prior knowledge of their neighbours work in shared services and an existing relationship based on locality.

Despite the beliefs of some private sector suppliers, no respondents in this research appear to have chosen partners based on political colour or commonalities in systems and processes. Geography remains the most common basis for sharing and unless other ways are found of developing similarly strong bonds of trust, awareness and understanding across councils, this is likely to remain the case.

Respondents saw a role for umbrella organisations in helping develop and widen these relationships to encourage the sharing of services within and beyond regions. For example, SOLACE and COSLA lent themselves to the formation of good working relationships across Scottish councils. Regional Centres of Excellence are playing a similar role in England, though to a lesser degree and with limited perceived success. Few respondents acknowledged the role of the

centres in facilitating or advising their projects. More could be made of the matchmaking function of these organisations on a regional basis and on a wider level. For example, the LGA was expected by several senior officers to be playing a more central role in developing the agenda across the whole of England.

What umbrella organisations such as COSLA and AGMA also encourage is the development of 'clusters' or councils working towards shared services. This emerged from the research as a constructive way forward for the agenda. Authorities working in clusters had more choice on which group projects they joined and the group had more opportunity for reaching critical mass on individual projects. These clusters worked best when there was explicit acceptance that not every authority need be involved in every project but where there was also an over-arching commitment to pooling resource and services.

Clustering can also help ensure the right number of partners are involved in shared service ventures, which was a concern for respondents. Projects that were too large raised concerns that relationships would not deliver effective control, consensus and accountability. Too small and the benefits were insufficiently clear for driving the project through to completion. Interviewees involved in multi-partner projects such as AGMA, the Scottish Multi-Agency Project and ARP believed that starting with fewer partners and building in scalability allowed projects to build internal support and trust across relationships, while keeping open the possibility of expanding the service later to increase cost savings. Small steps with increasingly successful outcomes build political capital, strengthen relationships and reassure stakeholders.

What pressures affect relationships?

At the start of this section we saw that local rivalries were only a very minor obstacle to shared services. This leads us to ask what other pressures are affecting relationships and joint-working in local government. Projects need to build critical mass to ensure that they are economically viable and the loss of a single partner can potentially force a project 'back to the drawing board'. The ability to sustain these relationships, particularly under pressure, is vital.

For example, one testing aspect of working across multiple partners was that projects were perceived as proceeding at the speed of the slowest participant. This bred frustration which a few respondents thought could undermine projects.

What may be a priority for one partner is not necessarily so for another, but because no one partner can enforce change on another, relationships can become strained by these delays. AGMA, with their decade of experience in joint-working, recognise this fact and build safeguards into project agreements which ensure that every participant contributes time and resource to making the project work. It is important to factor in these issues and ensure that different levels of commitment and momentum do not undermine the direction of projects as a whole.

One way this was achieved in the case studies was to find a common outlook among leaders which solidifies joint-working relationships across councils. As the Head of Policy at one Scottish council put it, **“don’t underestimate the power of getting the right people together, at the right time, talking about the right things”**. Senior executives across the case studies described each-other as pro-active, **“determined to meet local government challenges head on”** **Senior Officer**, moulding initiatives around their authorities needs before being forced to change by external pressures. Having open-minded, pragmatic, pro-active leaders across partners ensured a commitment to shared goals which strengthened relationships, giving projects greater purpose and momentum.

But common attitudes can only take you so far. The greatest pressures on shared service relationships reflect the relative size of authorities, and the balance of local power.

The impact of power imbalances

Power imbalances remain a challenge for shared services. Where they are exploited by partners they weaken shared service relationships. Joint-working ventures must factor such imbalances into their arrangements. For example, one perceived danger for respondents in smaller councils was that their processes and control would get lost in a larger or county council bureaucracy. Some larger councils were seen to be trying to outmuscle their smaller partners in negotiations which prevented shared service projects making progress.

These variations in partner size created further difficulties over governance for members. The case studies reiterate a previous research finding, that questions of responsibility and contractual agreement are significant hurdles for

shared service relationships.⁵¹ As the Suffolk CSD, AGMA and the Scottish Multi-Agency Project show, overcoming these is important if projects are to make progress and deliver on their promise. As quoted in the local Clackmannanshire press, **‘we have to get parity with this deal and make sure that in no way in anything could they out-vote us. That would be a certain deal-breaker’**.

Concerns around the balance of control in relationships are particularly relevant in ventures involving the private sector. Several local authorities in this research were wary of involving themselves in potentially volatile, long-term and inflexible partnership with the private sector. Respondents mentioned several examples of contracts brought back in-house when the private sector proved inflexible in their relationships and dictatorial in their contractual arrangements. The private sector was still perceived as unwilling to accept changing manifesto commitments and political priorities in local government and this was preventing authorities using their expertise to deliver shared services.

Private sector relationships

Some private sector respondents stated that these requirements were protecting their interests against political upheaval and lack of commitment within local government. Several private sector respondents mentioned losing money on abandoned and inefficient shared service ventures and smaller businesses were asking for **“clear signs that everyone is on board”** before attempting to put together a shared services project in local government. Several consultants were sceptical about the ability and the will of local government to make the far reaching changes necessary to deliver the best possible shared services. This scepticism and protectiveness around contracts was putting strain on some joint-working relationships.

Nevertheless, private business continues to invest significant time and energy developing work with the public sector. One respondent mentioned having hundreds of pitches for shared services work and according to many respondents in this research, relationships across the two sectors are improving. One private stakeholder stated that times had moved on, that suspicion of private involvement in shared services was **“based on outdated ideas of shared services and the private sector as a whole”** **Consultant**. Another council chief

⁵¹ National e-Procurement Project (2006) *Multi-Agency e-procurement How To guide, Part 1*

executive reported that private sector partners were being chosen based on their **“willingness to learn and understand the local government world”**.

Examples in Barrow and Suffolk show a growing understanding between local government and the private sector. Local government stakeholders in these projects thought that the continued effort made by private companies to maintain relationships and build trust were important in producing a climate more conducive to shared services.

Interestingly, some of these public-private relationships were sustained and improved by seconding private sector managers and directors to the council partner, strengthening bonds of trust, commitment and understanding. This could be an effective tool for strengthening joint-working relationships.

Recommendations

Once the internal and environmental factors are right for shared services, stakeholders must focus on getting the best partners and building strong relationships in these partnerships. First, authorities need more help in finding the right partner. Secondly, building effective collaborative relationships takes time and trust. Partners must build these bonds by being open up-front about their goals, synthesising objectives and creating a commonality of vision and attitude. The recommendations below show how this might be achieved.

Develop a clearer role for Centres of Excellence or comparative bodies

Scottish or Regional Centres of Excellence (RCEs) should be tasked to take on the lead role in developing the appropriate conditions for shared services to succeed. This requires capacity development, building council partnerships and both finding and developing relationships between individual councils and shared service suppliers.

- RCEs should develop match-making strategies bringing councils and suppliers together prior to formal bidding in order to develop shared understanding of each others' needs and aspirations for shared service projects.
- RCEs should support the development of local government clusters to explore the potential for improvements through shared service projects.
- RCEs should provide advice and secondment services to support shared service projects during the delivery phase.

- This will require a significant increase in the impact of the RCE network. The success of RCEs should be reviewed after 18 months with the potential for moving these functions to Regional Development Agencies (RDAs) if insufficient progress has been made.

Form agency clusters

Councils should use existing task based clusters as the basis for exploring potential shared service partnerships. City regions, areas designing enhanced two-tier working, London councils and the Greater London Authority (GLA) and Multiple Area Agreement (MAA) partnerships may well have the best potential for development.

Second senior staff

Councils and suppliers should use secondment between partners during the delivery phase to accelerate shared learning.

Factor in power issues

Governance arrangements between large and small council partners should be designed to protect minority partners' particular interests.

7 *Conclusions*

Councils are following the progress of shared services closely and interest in the subject is huge. If successfully implemented, shared services could be an important tool for local government in meeting increasing public expectations and tightening budgets, particularly following CSR07. But until now, take-up of shared services has been relatively slow and limited in scope. Change management models have not been enough to overcome the obstacles to shared services in the public sector. This research highlights the underlying factors which can undermine and fracture projects, those issues specific to shared services in a local government context. In doing this we answer our two core research questions:

- **What are the particular barriers which face local government on shared services, particularly in back-room processes?**
- **What prevents partners working together and sharing effectively?**

The issues that emerged are many and varied but none are insurmountable. The recommendations outlined in chapter six will help the shared services agenda to overcome these challenges and progress more effectively. They outline clear roles for government and local government bodies in taking this agenda forward. There are also broader themes that stakeholders should bear in mind. Giving due care and attention to the issues below would help people engage more in the process, reduce internal organisational resistance, maximise the use of existing local government experience and develop partnerships which can deliver the services citizens want as efficiently as possible.

A better understanding of shared services is needed, with open, honest consultation between all stakeholders

Many concerns emerge from a misunderstanding of shared services and insufficient information. A greater appreciation of how shared services work and the role of stakeholders in the process would benefit the agenda and its impact on citizens. It would also foster commitment and trust between stakeholders which would sustain relationships and ensure the success of projects.

A more coherent strategy is needed for shared services in a local government context, with clearer leadership and more support

A lack of joined-up thinking may prevent the shared services agenda achieving its ultimate goals. Clearer strategic leadership is needed, supported by more comprehensive central data, local government sponsors, and greater incentives.

Stakeholders must find effective ways to seek, build and sustain partnerships

Councils need to think more carefully and more strategically about who makes an effective partner and how to make relationships work in the long-term. This requires new skills and greater flexibility on all sides with new roles for external matchmaking bodies.

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Appendix 2 *Case study participants and interviewees*

Allerdale Borough Council
Anglia Revenues Partnership
Association of Greater Manchester Authorities (AGMA)
Babergh District Council
Barrow Borough Council
Breckland District
BT
Clackmannanshire Council
East Cambridgeshire District Council
East Dunbartonshire Council
East Midlands Regional Centre of Excellence
East of England Regional Centre of Excellence
Epsom and Ewell Borough Council
Falkirk Council
Forest Heath District Council
Glasgow City Council
Greater Manchester Waste Disposal Authority (GMWDA)
HEDRA
IDeA
Ipswich City Council
Lewisham Borough Council
Liberata
Liverpool Direct
Manchester City Council
Mid-Suffolk District Council
Modena Consulting
North Somerset Council
North West Development Agency
North West Regional Centre of Excellence
Pendle Borough Council
Perth & Kinross Council
PricewaterhouseCoopers

Rochdale Metropolitan Borough Council
SERCO
South East Regional Centre of Excellence
Southwark Borough Council
Stirling Council
Stockport Metropolitan Borough Council
Suffolk County Council
Suffolk Customer Service Direct:
Surrey County Council
Surrey Shared Services Centre
Tameside Metropolitan Borough Council
The Improvement Service
The Welland Partnership
UNISON Scotland
Vertex
Waveney District Council

Appendix 3 *Examples of existing shared services*

AGMA (Association of Greater Manchester Authorities) A forum whereby ten Greater Manchester authorities can work through and develop joint working practices and programmes of benefit to the region as a whole.

Anglia Revenues and Benefits Partnership Made up of Breckland Council Revenue Services and Forest Heath District Council Revenue Services, working together to provide quality council tax, business rates and benefits services for all residents across the two authorities.

Black Country School Improvement Partnership (BSCIP) Works with local partners to provide support and innovative solutions to enhance teaching and learning across the Black Country.

Barrow Shared Services Working with Liberata, the Barrow Shared Service Centre processes benefit claims and collects council tax for Barrow-in-Furness Borough Council and other local authorities located across England.

Bdirect Working across Bradford's service providers including the police, NHS and the Citizens Advice Bureau (CAB) to offer customer service centres, a contact centre and website across all services.

ConsortiumAudit Formed in April 2002 by the amalgamation of the internal audit sections of Corby, Kettering, Northampton and Wellingborough Councils.

Derbyshire E-recruitment A unified and more technologically savvy approach to recruitment across the entire organisation and establishing a single point of contact via its call centre.

Dorsetforyou.com Online portal launched by five local councils to replace individual council websites to boost information 'findability' through the site and make it even easier for citizens to access the information they need quickly and easily.

Essex Procurement Hub Provides a high level of procurement expertise across six local authorities, pooling resources and boosting economies of scale.

Glasgow City Council Embarked upon a programme with Xayce to transform back office HR and Finance functions through a Shared Service centre for its ten operational divisions

Liverpool Direct Joint venture between BT and Liverpool City Council to provide one-stop shop contact centres and a single call centre for council contact.

Pendle Borough Council A public private partnership with Liberata is under way which will create a business centre to deliver improvement to services and cost savings for the Council, and also contribute to the regeneration of Nelson's town centre.

Staffordshire Moorlands and Lichfield With the aid of SERCO, both councils' IT processes for support services – including infrastructure, desktop management, new projects, disaster recovery, database management and helpdesk support – are now managed by a single team made up of IT staff from each council.

Suffolk Technology Partnership BT, CGI, Suffolk County Council and Mid Suffolk District Council in a ten-year joint venture will provide a single customer service bureau, joined-up County and District services, one-stop centres and a website for information and transactions like bill payment.

Surrey County Council SSC Shared Service Centre (SSC) has been voted the best in Europe, centralising a range of functions including procurement, business intelligence, recruitment, employee services, payroll, data management and training administration.

Warwickshire Online Partnership (WOLP) WOLP is a collaboration of all six local authorities in Warwickshire set up in 2002 to allow service users a choice as to how they prefer to contact the council, improving public service delivery, sharing resources, technology and good practice

Some of these examples will form part of our research, but to bring this idea home we can take a brief look at a couple of everyday examples of shared services.

Simple ideas in practice

In 2001 the Metropolitan Police Authority decided that the current communications infrastructure would not be sufficient to meet the future demands of London. With the help of Frequentis, Central Communications Command (CCC) was formed. The CCC, in their own words, **“will be a central unit consolidating all of our 32 borough control rooms, emergency service, telephone operator centres, special events and incident support services. These services will be brought together in three purpose-built centres”**.⁵² With no discernible change in the public face of the service, the Metropolitan Police Authority has been able to consolidate ‘behind-the-scenes’ services and make more efficient use of the resource available, moving towards a more consistent, effective, resilient and joined-up public service.

In the US New York implemented a ‘311’ number for all government information and non-emergency services. Intended to provide quick and easy access to services and comprehensive, up-to-date information the service has met its performance targets and by managing resource and information better it has also delivered cost savings to the city.⁵³ The success was such that a similar approach has been rolled out to other cities such as Minneapolis and the ‘101’ number has been trialled in authorities across the UK. The UK has had the added benefit of joining-up services across upper and lower tier authorities for simpler citizen access.

⁵² www.met.police.uk/c3i/ccc

⁵³ Accenture (2006) *Citizen Services: Government Call Center Solutions for Open Government*

BT Local Government Services

BT Local Government Services is a well-established team, providing innovative and inspirational networked IT services to over 1,500 customers including councils, housing associations, universities and colleges.

In the English and devolved government regions, BT and its local authority partners are at the heart of local communities. In fact, our vision for local government is to create an active society where communities are engaged in shaping their own quality of life and building pride in place, where the public sector is the orchestrator and enabler of their success.

To support this vision BT supports and develops local governance that motivates and enables people to shape the area they live in and the services made available. BT connects communities, so that people are informed and empowered to be active in supporting themselves, and builds agreements between people and organisations and where people are responsible for the part they play.

BT's whole strategy is to focus on meeting the networked IT requirements of multi-sited organisations by putting the customers at the heart of everything it does. Our aim is to become customers' long-term business partners by proactively understanding customers' needs and fulfilling those needs by providing customers with seamless world class services.

For more information, please visit [**www.bt.com/localgovernment**](http://www.bt.com/localgovernment)



Improvement Service

The Improvement Service is devoted to improving the efficiency, quality and accountability of public services in Scotland through learning, sharing knowledge and delivering improvement solutions.

It aims to support continuous improvement by building on the expertise within local authorities and working in partnership with stakeholders in the public, private and voluntary sectors. It provides advice and support in the following areas: Best Value, Customer First, efficient government and performance management, elected members' development, knowledge management, management development, partnership and joint working, planning and development, as well as preparation for 2007.

The core objectives are to:

- promote a learning culture and support collaborative working across local authorities and partners;
- build capacity within local government to improve the skills of officers and elected members;
- promote good practice across Scottish local government;
- promote the use of knowledge management within local authorities to support sharing and learning, e-governance and business re-design; and
- identify good practice and learning from outside Scotland and other areas of the public, private and voluntary sector to share with Scottish local government.

The Improvement Service is a partnership between the Scottish Executive, the Convention of Scottish Local Authorities (COSLA) and the Society of Local Authority Chief Executives (SOLACE).

For more information, please visit www.improvementservice.org.uk

Liberata

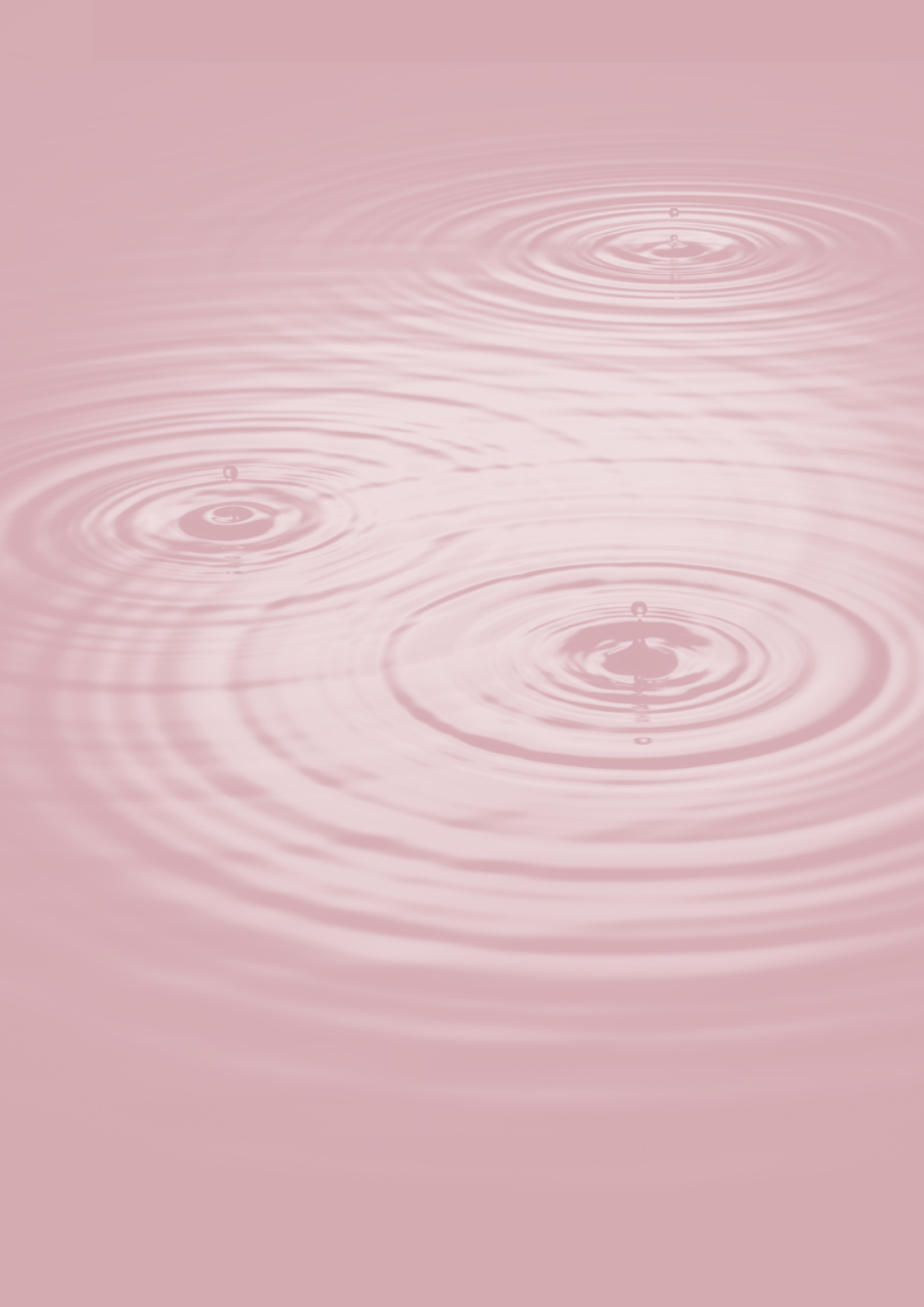
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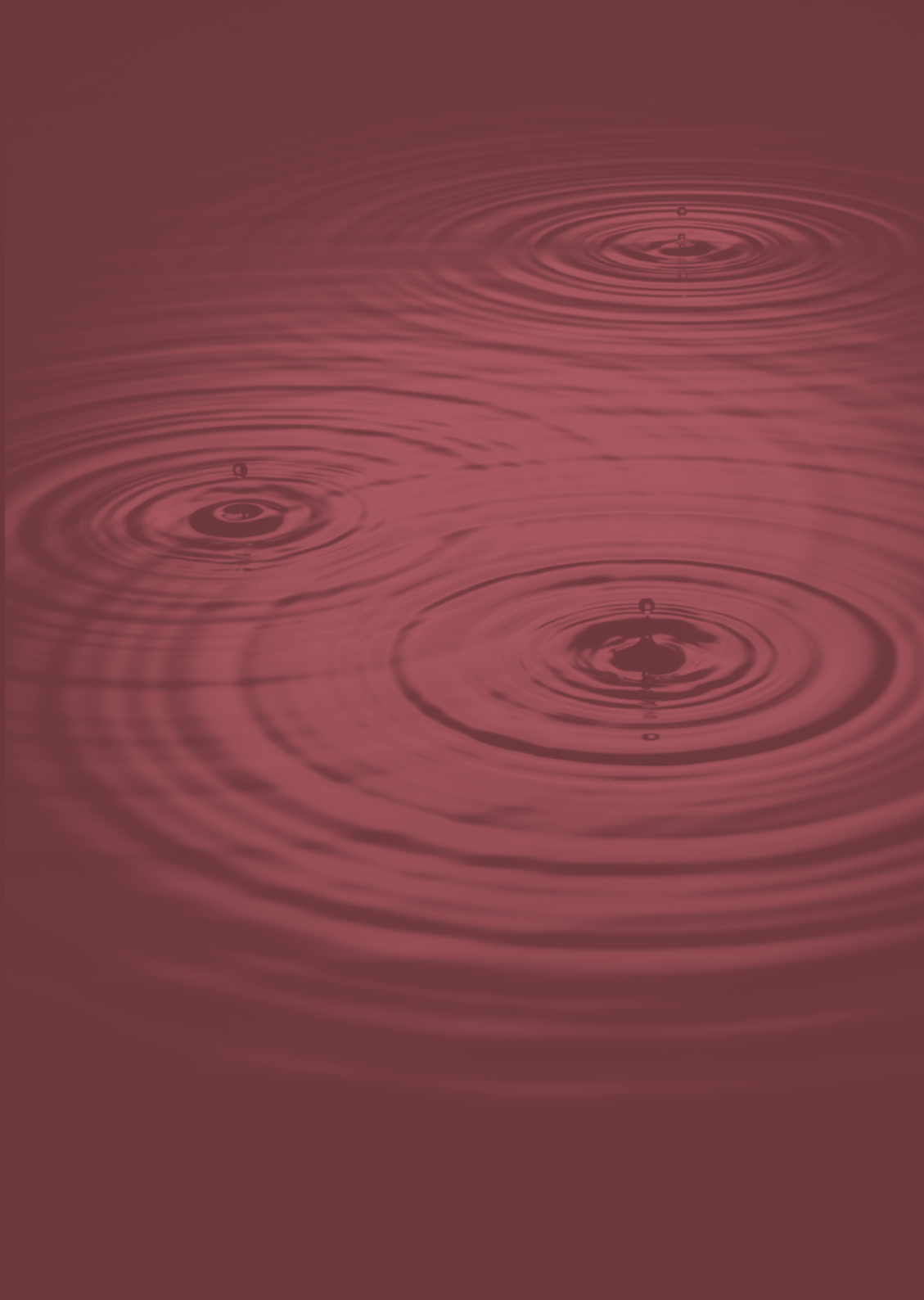
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Shared services can assist with the transformation of local authority services, delivering efficiency gains and promoting innovation. Merging services together may not simply mean a cost saving, but could also allow greater innovation as two authorities share their best practices.

However the process remains controversial, with some local authorities concerned about the organisational impact on services while guidance from central Government on how to effectively implement shared services remains sparse.

The Politics of Shared Services puts forward a new agenda for harnessing the opportunity of shared services. It looks at the political, economic and social impact of merging services and offers recommendations on how stakeholders in local and central Government and the private sector can work together more effectively to deliver high-quality, efficient services.

In an environment of tough efficiency requirements for local authorities, the report offers greater clarity around the goals and challenges of shared services that will allow the agenda to develop faster and more effectively.