

Subject:	Shared Services Review		
Date of Meeting:	24 January 2013		
Report of:	Director of Finance Interim Lead - Chief Executive Services		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 At its meeting on 11th October 2012, the Policy & Resources Committee resolved to ask Officers to bring a report with an outline of the shared service arrangements that the council is currently involved in.
- 1.2 This report sets out some of the keys issues surroundings shared services, looks at national learning from other local authorities and seeks to map current shared, partnership and joint services the council is involved in. It also seeks approval for guiding principles for future shared services activity by the council..
- 1.3 This report will be accompanied by a powerpoint presentation from the Director of Finance that highlights the key issues.

2. RECOMMENDATIONS:

- 2.1. That members note the report, in particular the range of current shared service type arrangements set out in Appendix 1 to the report;
- 2.2. That the committee supports the development of further shared service arrangements where this is consistent with four guiding principles set out in paragraph 3.11.2 of the report.;
- 2.3. That the Chief Executive be requested to review existing shared service arrangements and potential new shared services arrangements in support of the Council's Medium Term Financial Strategy, Value for Money Programme and modernisation agenda and alongside other alternative service delivery models;

3. RELEVANT BACKGROUND INFORMATION

- 3.1 At its meeting of the 10th September, the Overview and Scrutiny Committee (OSC) considered a request from Councillor Geoffrey Theobald to undertake a scrutiny review into what progress the council has made with regards to joint or shared services.

3.2 In prioritising its workload, OSC agreed that this issue would be more appropriately addressed by the Policy and Resources Committee (P&R) in the first instance and referred it to that committee. At its 11th October meeting, P&R instructed officers to bring a report to a future meeting of the committee summarising current shared services arrangements and options for the future. This report starts with discussing the concept of shared services before looking at the national picture and information from elsewhere before looking at existing local arrangements in the Council and making suggestions for the future.

3.3 **What are shared services?**

3.3.1. The expression “shared services” is not a term of art and, although most people understand it as involving some form of joint arrangement between authorities, there is no exact, universally-accepted, definition of what it covers. In the context of local government, it is used generally to refer to joint arrangements between two or more local authorities or between local authorities and other public service bodies (such as the NHS, Universities, Fire authorities etc) and tends to cover a wide spectrum of possibilities. These range from complete structural or service integration (merging of authorities or services) to joint procurement, to sharing infrastructural resources (such as accommodation and common ICT platform.) For the purposes of this report, the wider definition encompassing all these arrangements (rather than the narrower one based on complete structural integration) has been adopted.

3.4 **The Principle behind Shared Services**

3.4.1 Although local authorities enter into shared services for a variety of reasons, the most common driver is the need to deliver financial savings. This is based on the idea that, at least in theory, efficiencies can be gained by sharing or merging services, leading to reduced overheads, removal of duplication and obtaining economies of scale. At the same time, it is anticipated that standards of service can be at least maintained and possibly enhanced.

3.4.2. Shared services do not usually stand on their own as an initiative and are usually implemented as part of a range of VFM and modernisation initiatives and those that involve a significant element of external income generation may often involve the creation of alternative service delivery models, such as a trading company.

3.5 **The National Picture**

3.5.1 While traditionally shared services were thought of as back-office arrangements (such as HR and ICT) councils and other public bodies are increasingly looking to share senior management arrangements and considering joint-venture relationships with other public sector bodies and the private sector.

3.5.2 The Local Government Association (LGA) estimates that over the last five years more than 220 councils have been involved in some kind of shared services model. Appendix 2 to this report includes information based on an LGA publication listing authorities with existing shared services. Members can see that these cover a wide range of different areas of activity from transport to ICT to Libraries and more.

3.6 The Learning from Existing Shared Services nationally

3.6.1 An LGA commissioned report “Services shared: costs spared?” published in August 2012 provides an analysis of five high-profile shared service arrangements. It seeks to evaluate the scale of savings that have been achieved through sharing back office functions like IT and legal services, and frontline services like waste disposal and road maintenance.¹

3.6.2 The key findings of the report are:

- Clear financial benefits can be made from sharing services. Savings are achieved through consolidating organisational structures, integrating information technology, reducing accommodation, and improving procurement.
- Early savings are made by reducing staff – removing duplication and management posts.
- These initial benefits are typically delivered rapidly with strong top-down leadership.
- As shared services mature and evolve they are able to benefit from wider business transformation – such as better use of IT and assets, improved processes and cultural change programmes.
- The set up and integration costs for merging services are modest with less than a two year payback period for all the shared service arrangements.
- Baseline financial and performance information is essential to make the case for change and track the benefits of shared service arrangements in terms of efficiencies and service improvements. This was a difficulty with all the five shared service arrangements researched and made it hard to make performance comparisons.
- Despite this, it appears that the shared service arrangements have succeeded in providing the same or better levels of performance at less cost.
- Good performance against organisations’ key performance indicators are complemented by good staff indicators – such as high staff morale, low staff sickness and low turnover rates.
- Rapid implementation of shared service arrangements helps build momentum for change.
- Expanding established shared services to provide services for other public sector partners in a locality is a useful way to generate income and ensure efficiencies through greater economies of scale.

¹ http://www.local.gov.uk/c/document_library/get_file?uuid=105edabf-9072-49f5-94d9-f6065cf69842&groupId=10171

3.6.3 One of the more high-profile examples of shared services not within the LGA study group can be seen in the arrangement between Hammersmith & Fulham, Westminster City and Royal Borough of Kensington & Chelsea.² A recent update document 'Stretching Ambition' on this initiative sets out what the authorities see as key achievements by quoting the following achievements:

- We have slashed the number of senior and middle managers by 50% and dramatically reduced the cost of our executive pay bill
- We have made our funds go further. We announced our first £1m of savings in October 2011 and are on-track to deliver the original target savings of £7.7m by 2012/13 and £33.4m by 2014/15. We are also ambitious that we will save a further £7m by 2014/15
- We have protected front-line services by combining children's services, adult social care and library services across the three boroughs and started to share Environment Services across Hammersmith & Fulham and Kensington and Chelsea. Nearly four in five (79%) Tri-borough residents are now satisfied with the way their council is running the area, up from 77% from the start of 2011
- We have shown how honest comparison and fair challenge can happen across three sovereign authorities, helping to identify new ways of working and increasing pace across our three organisations.

3.6.4 However not all examples of shared/joint service arrangements are so positive. There is considerable negative commentary available around ventures such as Southwest One, a joint-venture partnership between Somerset County Council, Taunton Deane Borough Council and Avon & Somerset Police with IBM.

3.6.5 The LGA report was based on a voluntary study group and its findings may not necessarily be representative of all shared services and the findings may have been influenced by the non-inclusion of some of the less successful ventures. A report to the Cabinet of the London Borough of Ealing gives a more cautious account. It states:

"Shared Services" is an ambiguous term, referring to a diverse range of ways of working with other local authorities and public sector agencies, and usually referring to projects around management efficiency and/or collaborative procurement. According to the LGA, 219 authorities are engaged in 143 different types of shared service arrangements across the UK, collectively driving over £150m in claimed efficiency savings³. Whilst there is a large volume of reports and articles championing Shared Services in local government, information about actual savings and service improvements realised through sharing services is much harder to source."

3.6.6 It is clear is that there are undoubtedly great benefits (both financial and service improvement) to be gained from shared services where they are well chosen, have clarity of purpose and are the result of a pragmatic assessment of the

² http://www.lbhf.gov.uk/Images/tri-borough_achievements_002_tcm21-169733.pdf

³ LGA 2012, www.local.gov.uk/better-for-less-po-map

advantages and disadvantages, rather than being seen as the automatic default vehicle of choice for delivering services. Shared services should not be seen as a universal panacea suitable for all service areas. There is also a need to recognise that, even where shared services are the right choice, there are nevertheless significant practical challenges and constraints. Different local authorities have different cultures, structures and processes which have to be integrated if the new organisations or integrated service is to be effective. Not least of these challenges can relate to geographic and political differences. There is also some risk of loss of autonomy, independence and responsiveness to evolving priorities of the commissioning authorities.

3.7 The Brighton & Hove Approach

3.7.1 There has been considerable media attention nationally on some senior management mergers and high profile pilots and this had tended to give the impression that shared services are a new thing. In fact much of the council has been delivering services jointly with other public and third sector organisations for some considerable time. There has been no conscious, corporately-driven general attempt to enter into shared services arrangements as a desirable objective in itself. Instead it is fair to say that, in most cases, shared service arrangements in Brighton & Hove have grown organically, exploiting opportunities as and when they have arisen. There has been some work done through the Public Services Board in recent years, but what is in place has developed largely outside any such formal governance framework.

3.7.2 Following the decision of the Policy and Resources Committee in October, Officers have compiled a list of all the shared services currently in force within the Council. A reasonably comprehensive, but not necessarily exhaustive, list of shared services is attached in Appendix 1. Members will be able to see that there has been an extensive range of joint working, collaboration and integration of services taking place. This has not been publicised under the banner of “shared services” and would have been described under other headings such as “health partnership.” Most of these developed as separate independent projects and not necessarily co-ordinated with other joint delivery arrangements. There has been however a significant degree of degree of co-ordination in two areas of work: South East 7 and the Public Services Board initiative.

3.8 The South East Seven

3.8.1 The major structure through which the shared services agenda is being progressed in the South East is through the South East 7 group of local authorities. The South East Seven (SE7) is a partnership of seven Councils that have committed to working together to improve the quality of services and deliver savings. These are:

- Brighton & Hove City Council,
- East Sussex County Council,
- Hampshire County Council,
- Kent County Council,
- Medway Council,
- Surrey County Council and
- West Sussex County Council.

3.8.2 In March 2010, the SE7 Councils signed a Memorandum of Understanding setting out their intention to increase joint working to benefit their combined population of 5.3 million people and to secure increased value for money against their collective budgets of £3.4 billion. A number of key workstreams are being progressed under the SE7 arrangements in particular:

- Information Technology
- Special Education Needs
- Waste
- Highways

Appendix 1 gives more details of the above arrangements.

3.8.3 SE7 can be described as a 'coalition of the willing' with each Council deciding the extent to which it engages with each activity based on its own priorities and needs. Significant value has been obtained through joint procurement, sharing of expertise and specialisms across the region and greater influence over national government policy by working in this way. Key areas of work to date have included:

- the establishment of an ICT "network of networks" across the region, to facilitate joint working and future shared service arrangements across local authority boundaries and between public agencies;
- receiving government funding for SEN pathfinder work on a sub-regional basis;
- commencing long term strategic planning for the capture of certain waste materials across the region to create a market for their commercial sale; and
- successfully establishing a tailored highways engineering Masters course at the University of Brighton to develop the professional skills needed for this industry.

3.8.4 There is an SE7 conference planned for March this year to provide more information for members across the region about the partnership and the work being undertaken and the Secretary of State for Communities and Local Government has agreed to attend.

3.9 The Public Services Board (PSB) Initiative

3.9.1 There is a central work-stream looking at shared services reporting to the Public Service Board. This is based upon a memorandum of understanding between City partners (Police, Universities, Clinical Commissioning Group etc) to look at shared services where they add value. An officer steering group has been meeting regularly to support this mandate. This was, until recently, led by the Strategic Director, Resources.

3.9.2 Work between the Clinical Commissioning Group (CCG) and the council is ongoing looking at how best to share services once the CCG goes live in April 2013. Details are still being developed but work has focused on the role of the local authority as a commissioning support organisation addressing issues such as finance, contracting, procurement, commissioning and communication functions.

3.10 Other Initiatives

3.10 Whilst there is a central officer group reporting to the PSB and the council is actively involved in the SE7 initiative, most instances of shared services across the council are a result of individual services and officers exploiting opportunities as and when they arise.

3.10.1 This organic development does mean that shared services have flourished where clear advantages are to be obtained from such arrangements and has avoided attempts to shoehorn ill-fitting services into inappropriate structures.

3.10.2 This does, however, also mean that there has not been a full council-wide evaluation of the benefits of a more systematic approach to shared services.

3.11 The Way Forward

3.11.1 Whilst the incremental, organic approach has its advantages, there is a danger that the Council's shared services type arrangements may develop in an uncoordinated way, fulfilling different objectives and they may not achieve their full potential. The financial challenges the Council faces over the coming years and the need to look at the way we deliver services also requires a more strategic approach than has been the case so far. It is therefore important that we keep the best of the current shared service arrangements and improve them by adopting a more systematic approach.

3.11.2 It is therefore proposed that the Council supports shared services arrangements where this is consistent with the following guiding principles:

- **The quality of citizen experience comes first**

This means that any shared services must have regard to the impact on the citizen experience, including for "back office" functions which need to operate effectively to support frontline service delivery

- **Joint commissioning (or strategic planning) and integrated service delivery across sectors in Brighton & Hove will be prioritised**

The council has an excellent track record in joint working with city partners, in particular health and police and this type of shared service arrangement will continue to be a key area of focus.

- **Joint procurement with partners outside Brighton & Hove will be considered when scale is critical to achieving Value for Money**

Partnerships with public bodies outside Brighton & Hove, as opposed to within the City, may involve a greater potential for loss of control/influence and can be more distant from the citizen. It is proposed that support to joint procurement (and other forms of shared services) with partners outside Brighton & Hove will tend to be used where economies of scale are critical to achieving VFM.

- **Sharing of support services and management costs will take place only when it does not compromise (and ideally where it enhances) achievement of the above principles**

This principle will ensure that seeking financial savings from sharing support services and management costs is not considered in isolation to the citizen experience and the priority for joining up service planning and delivery.

- 3.11.3 It is also proposed that the Chief Executive reviews existing shared service arrangements and potential shared services arrangements as part of a wider range of initiatives relating to the Medium Term Financial Strategy and modernisation agenda alongside other alternative service delivery models.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1. This report is primarily an information report and does not, itself, propose any change in services. Any proposals for the future may require consultation and engagement with those affected.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 There are no direct financial implications arising from this report. Shared Services are likely to continue to be an important option for the Council to consider when planning its Medium Term Financial Strategy in the light of significant reductions in central government grant funding.

Finance Officer Consulted: Catherine Vaughan Date: 3/1/2013

Legal Implications:

- 5.2 There are no legal implications arising from this report. However any future arrangements involving shared services will require proper legal input to ensure they are within the powers of the Council and the necessary decision-making and governance processes are followed.

Lawyer Consulted: Abraham Ghebre-Ghiorghis Date: 09/12/2012

Equalities Implications:

- 5.3 As part of the test of citizen experience, every shared services initiative will need to be assessed to ensure that there are no adverse equalities implications and that the needs of all sectors of the community are taken into account.

Sustainability Implications:

- 5.4 There are no sustainability implications arising from this report but any future decisions regarding shared services need to take account of sustainability implications.

Crime & Disorder Implications:

- 5.5 There are no crime and disorder implications arising from this report.

Risk and Opportunity Management Implications:

- 5.6 Any future decisions on shared services need to be subject to proper risk assessment in accordance with the Council's risk management framework.

Public Health Implications:

- 5.7 There are no public health implications arising from this report.

Corporate / Citywide Implications:

- 5.8 Shared services are a key part of the Councils strategy for managing its budgets and improving its performance. The Public Services Board is leading on championing shared services within the public sector in the City.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 The option of continuing the current practice of approaching the issue of shared services was considered. However, the proposals in the report have the potential to assist the Council to get best value, avoid duplication, and achieve consistency of approach.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 These are as set out in the body of the report.

SUPPORTING DOCUMENTATION

Appendices:

1. List of Shared Services in English authorities
2. A list of current shared services in which the Council is involved.

Documents in Members' Rooms

None

Background Documents

None

