



Scoping the Potential Benefits of Shared Service Delivery

A model for Governance and Programme / Project Management

Summary

With authorities across the country under increasing financial pressures, the potential benefits of delivering services in partnership are increasingly being considered. 'Clusters' of authorities are beginning to work together to deliver efficiencies in light of the CSR07 and other, more local drivers. In many cases the catalyst will be the selection of a particular service for potential shared delivery and from this the relationship may develop adding services over a period of time.

The East Surrey Improvement Partnership (ESIP) was formed in 2006 in response to a number of pressures acting on the local government environment, namely:

- Increasing quantity and sophistication of demand from local residents

- Calls from central government for local government to review its structures and services through the exploration of joint working/shared service delivery
- Increasing financial pressures introduced through mechanisms such as "Gershon" and Comprehensive Spending Review, and
- The need to develop a stronger, more credible voice for East Surrey in the light of many of the regional developments and initiatives.



A formal declaration of commitment from the parties, by way of a statement of intent, led the way to a programme to investigate the feasibility of collaborating across a number of service areas. With the appointment of a Programme Director, a phased approach to the partnership project commenced. The key output from Phase One was the development of High Level Business Cases [HLBCs] across five service areas [ICT, Finance, HR, Revenues & Benefits and Customer Services] along with an options appraisal on the potential vehicles to deliver the partnership.

Project Background

The Chief Executives (CEs) from Mole Valley District Council, Reigate & Banstead Borough Council and Tandridge District Council recognised the potential for working together particularly in view of their geographical location.

An initial assessment of the political ideology across the three authorities demonstrated a degree of synergy. All three authorities wanted to improve services whilst resolving financial pressures and the opportunity to partner appeared to be a positive way forward. It was recognised that the opportunity was there to create a platform to improve service performance, increase public satisfaction and create innovation that could be shared throughout Surrey and rolled out regionally.

Based on this assessment, the Leaders and CEOs felt they could drive a partnership forward which could create economies of scale and improve services through sharing scarce skills.

The Formation of the ESIP Partnership

The initial task was to investigate partnership options and the process began with the formulation of a Statement of Intent [Appendix I] written to bring the three authorities together and articulate the reasons for the partnership and expectations of the partners.

This was ratified by each individual Council's governance processes and it identified five core Partnership objectives:

1. Improve the quality and value for money of service to communities
2. Ensure resilience of service delivery
3. Contribute to the Local and Central Government efficiency gains programme
4. Explore opportunities for trading in the medium to longer term
5. Create a stronger voice for the area on strategic issues and the value of local authority services

At this point the decision was made to scope the partnership and to ensure an independent objective view. External consultants, KPMG, were commissioned at a cost of £30,000. It was felt that KPMG, with their Welland Partnership expertise, would understand the commonalities between the authorities and would advise on areas for joint working and on governance.

The final report from the consultants, two months after its commission, was presented to the ESIP Partnership Board and the outputs from this report were developed to form the basis of the ESIP Collaboration Strategy [Appendix II]. The Strategy was adopted by the Board in June 2006 and subsequently ratified through the individual councils procedures.

The Aims and Objectives of the Project

Internal commitment to both time and money was given and a working fund to support initial development and scoping was created. Project teams were set up utilising in house resources and workshops commenced bringing key stakeholders together. However, initial progress was slow and the Board felt that there was a need to reinvigorate the project.

At this time a bid for funding to engage a Programme Director was made, and its success led to an internal appointment. The new Programme Director refined the scope for first phase of the partnership project and the Board agreed that the project would:

- Develop and test a model that can be effectively used to assess the potential for shared service delivery and/or joint working between District/Borough Councils
- Undertake the delivery of HLBCs with the specific objective of testing the hypothesis that it is possible to deliver a fully merged service across the 3 authorities by April 2010 and in doing so deliver the following benefits:
 - Enhanced capacity and resilience of the service
 - A reduction in total cost of the service of 20% [compared to current aggregate across 3 Councils]
 - With no deterioration in the quality of service
- Based on the outcome of the Business Case analysis, where the 3 core ESIP Partners are insufficient to create optimum value from the required investment a sensitivity analysis is to be included in order to better understand the required operational base to meet the objectives

→ Develop and/or test a portfolio of “products” arising from each of the projects/work streams which can be used to facilitate shared service delivery and/or joint working, such as:

- an assessment of the available legal structures/vehicles
- programme and project management toolkits for boundary spanning initiatives
- communications toolkit

In order to ensure the optimum blend of learning and evidence from this phase, the Partnership elected to consider a blend of back office and customer facing services. Specifically, this initial phase encompassed the following project areas:

- ICT
- Finance
- HR
- Revenues & Benefits
- Customer Services
- Legal Vehicles and Structures

In addition to these 6 core workstreams involving all 3 partners, there was an initiative launched to investigate the potential for 2 of the partners to undertake a joint procurement exercise around their leisure services.

Running alongside the project as a whole, as well as each individual workstream, there was a full communication strategy [along with accompanying Action Plans] developed and implemented [Appendix III].

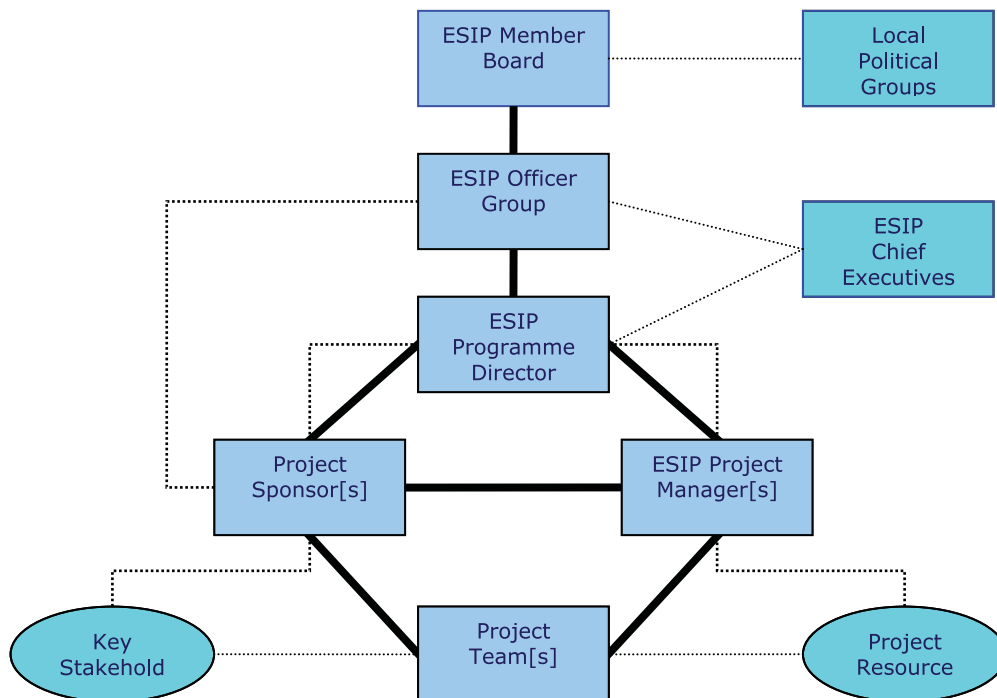
The Governance of the Partnership

Recognising that strong governance would be critical to the success of the partnership, a model was put forward and adopted which engaged officers and Members in the partnership. The overall objective was to provide a working partnership model that preserved the identity of the local authorities within an ethos of collaborative working.

This governance framework was accompanied by a clear outline of roles & responsibilities in order to ensure that each person and/or group within it understood both the way in which the framework was intended to work as well as the contribution they were expected to make. A more detailed outline of the framework can be found in Appendix IV to this case study.

In addition, an approach to the apportionment of the costs and benefits of working in Partnership was developed based on the level of investment currently employed by each partner in the particular service area [Appendix V].

A major tenet of the governance framework was the use of professional programme and project management principles. When the framework and professional programme/project management staff were combined, the result was transparency and control of the process at the top of the framework. This ensured that the appropriate people were making the key decisions.



Key Findings

By August 2007, each of the workstreams had delivered their HLBCs [Appendices VI through XI] and the following table summarises their key findings:

Project	Savings* £ (Min)	Savings* % (Min)	Savings* £ (Med)	Savings* % (Med)	Savings* £ (Max)	Savings* % (Max)	Conclusion
Finance	£46,000	2	£200,000	9	£357,000	17	Share
HR	£75,000	8	£176,000	15	£294,000	27	Share
ICT**			£414,122	28.5			Share
Revenues and Benefits	(£34,000)	(1%)	£485,000	14%	£1,005,000	29%	Share
Customer Services	No Business Case due to significant differences in approach and level of investment between Partners. However, a joined up approach to the continuing evolution of Customer Services with a view to future collaboration was believed to be vital						

Notes:

*Savings £/% calculated from the aggregate of the 3 Authorities current spend

**ICT savings were based on one estimate as opposed to a range of values as in other projects [see below]

There was no desire to try and deal with the issue of Harmonisation of Terms & Conditions until such time as it was clear whether there was any value in doing so. As a result, the project took the lowest and highest values from all the pay scales currently in operation across the partnership [along with a calculated median] and assessed the value based on the adoption of these values. For example, if the Revenues & Benefits service was merged with every member of staff moving to the highest set of Terms & Conditions the merged service would actually cost c£34k more than currently. However, if they adopted the lowest level of salaries, there would be a saving of c£1.05m.

Other notable outcomes from the process were:

- The Human Resources project team concluded that they could move to a single operation by 2010, improve quality, capacity and resilience and deliver some savings, but that they would be unable to deliver a 20% saving by 2010.
- The Finance project team believed that while significant savings were available through aggregation, there were even more savings achievable through the use of business transformation should a number of services all be brought together into one entity with a single management structure
- Two of the partners took the decision to share a Head of Finance & Procurement during the course of the project
- The Revenues & Benefits team recommended that full aggregation was the optimal way to generate savings and improve service delivery and resilience.
- The ICT team concluded that the hypothesis was achievable by 2010, improving quality, resilience and reducing costs by 20% through a joint approach

- To further this aim, a Joint ICT Infrastructure Link was procured and implemented using NTL as the service provider
- This link has enabled the sharing of ICT services across the initial 3 partners plus Epsom & Ewell Borough Council [who also adopted the Infrastructure Link at a later date]
- The legal team identified two potential vehicles for partnership which met the criteria set by the Partnership:
 - an administrative model / joint management committee
 - the creation of a new corporate body
- Their recommendation was to begin with a joint management committee but consider moving to a new corporate entity when a critical mass of merged services was reached
- The Leisure team concluded that a joint procurement using the newly emerged Competitive dialogue procedure was the best way forward and this project is currently ongoing.

The Outcome of the Project

With the successful delivery of the HLBCs, the onus was on the ESIP Board to reach a conclusion on whether:

1. They believed there was value in the concept of shared service delivery, and if so
2. How they wanted to progress the project in order to realise this value

However, after careful deliberation, it became apparent that each of the partners had very different ideologies around how they believed the partnership should move forward.

Notwithstanding this, ESIP is viewed as a success by key people within the organisations concerned. It has contributed to a greater understanding of the partners organisations and while large scale shared services has been considered and rejected for the time being, this enhanced understanding along with the experience of working together has contributed to a very strong commitment to general collaboration across the region on key issues such as place shaping, enhanced public sector cooperation and best practice. To this end, ESIP has recently been expanded to include Epsom & Ewell Borough Council in order to ensure complete alignment across East Surrey.

It is also extremely important to stress that the partnership delivered a positive outcome – saying “No” to large scale shared service initiatives, as a result of a reasoned investigation and assessment of the evidence base, is just as valid an outcome as saying “Yes”. In fact, allowing momentum to simply drag you into relationships only to find out several years [and a great deal of money and effort] later would be a significant failure of leadership.

In the end, the partners involved in the ESIP decided that neither the time nor the current partnership provided the right conditions to pursue large scale shared service delivery. This decision does not detract from the value that has been extracted from the journey and which is shared in this case study.

The Role of the South East Centre of Excellence (SECE)

Throughout the process, the South East Centre of Excellence (now called Improvement and Efficiency South East) has been providing knowledge and skills to help the Partnership evolve by facilitating initial discussions and, with a seat on the Officer Board, playing an active role in the Governance. It has also supported the Partnership in developing its project management methods, the provision of Project Managers and providing funding to support external expertise. The relationship was managed under the auspices of a Memorandum of Understanding between SECE and the Partnership [Appendix XII].

At the conclusion of Phase 1 SECE conducted lessons learnt workshops with all the key personnel involved in the project in order to capture the learnings for dissemination to local authorities. A summary of the key Lessons Learned as a result of the ESIP experience can be found in Appendix XII.

It is clear to those who have been involved in ESIP that successful Partnership is about understanding and managing a mix of different factors such as:

- ➔ Compromise, e.g. around key deliverables and processes/mechanisms used to deliver
- ➔ Individual personalities, e.g. trust, ambitions, philosophies
- ➔ Group dynamics, e.g. fear, protectionism

➔ Effective understanding and management of organisational characteristics and issues, e.g.

- structures [present architectures /future architectures]
- ambitions [strategies/tactics/deliverables]
- cultures [beliefs/attitudes/ways of working]
- process [objectives/governance/ planning/outcomes]

The aim of those involved in partnerships must be to create alignment and harmony around these factors. However, this cannot be achieved without effective leadership and it is this that is considered to be the single most important factor when considering partnership.

Transferability

The ESIP model is transferable to other authorities. However, care should be taken to appreciate that the tools and processes that have been successfully developed by ESIP are relevant to the circumstances and objectives encountered within the Partnership. The success or failure of any Partnership initiative relies on the careful interpretation and understanding of the organisations, personalities and objectives involved. As such, what was appropriate for ESIP may not be appropriate elsewhere.

Notwithstanding this caveat, a number of tools created during the project are available through the Partnership Support Toolkit link including The Statement of Intent, Collaboration Strategy, and Options Appraisal for Legal Vehicle, Project Initiation Document and High Level Business Cases.

Quick Win Categorisation

Speed: Low; savings should be visible after 6 months

Effort: Medium; possible to redirect existing resource in order to implement

Impact: Quantification of efficiencies identified in future projects

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Note:

All appendices can be found in the Partnership Toolkit on: www.southeastiep.gov.uk