

Making sure you get the best slice of the cake

With outsourced services expected to be worth £10bn a year by the next decade, it is now essential that the right types of shared services are developed. A new report from SOLACE aims to provide some answers, as **Eric Bohl** outlines

We are not alone. However good our in-house services have become it is likely that they could be cheaper and better with the benefit of collaboration. But just how much collaboration do we need, who with and how do we go about it? With outsourced services worth £4.9bn today and £10bn annually in the next decade the issue is pressing.

SOLACE's guide to sourcing, 'Make, Buy or Share?' sets out to help provide the answers. Published this month, the guide showcases the choices that authorities are making as they decide how to source the support they need to deliver excellence.

'Big-bang' deals and joint ventures attract most attention, but shared service alternatives are gaining momentum, after a slow start.

But just what can we expect and can shared services deliver the savings and improvement claimed by the most successful outsourcing deals?

And will they avoid the problems if a deal goes wrong?

Some outsourcing providers have tried to re-badge their offerings as 'shared services' and the centralisation of internal support services is often given the same label. The bigger prize – services shared between organisations – has been rather elusive.

At one end of the spectrum there are smaller-scale initiatives.

The Warwickshire county and district council have collaborated since 2002 over their Customer Relationship Management software implementation. This has gradually evolved into closer co-operation such as joint one-stop shops and call centre. Swale BC is sharing services such as building control and is developing new partnerships, such as emergency planning and business continuity, with Kent neighbours.

Such smaller-scale partnerships are springing up as authorities experiment with sharing services which lack resilience due to their small scale or

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which are less sensitive, such as back office functions. The four DCs in Cambridgeshire are investigating a shared services organisation. The first services to consider sharing were finance and payroll services as these were considered back office services likely to have few political or service differences between districts.

More ambitious partnerships are emerging, sometimes driven by a desire to join up services, sometimes to achieve savings and, often, both.

The impressive Anglia Revenues Partnership, involving Breckland DC, Forest Heath DC and East Cambridgeshire DC, launched in 2003. The benefits services were performing poorly, but are now in many instances in the top five with annual savings of £1m.

Examples of greater integration between sectors are developing, as demonstrated by the case studies in IDEa's front office shared service programme. Many of these are based on sharing public facilities; other authorities are extending their partnerships further.

Tower Hamlets LBC shares facilities and marketing in its Idea Stores which house libraries and learning centres working with voluntary sector partners, Tower Hamlets College and London Metropolitan University.

The embrace of local partnership is demonstrated by its sharing of its HR director with the local PCT. What characterises most shared service arrangements in local government is they have developed organically rather than through central co-ordination. They have tend not to be top driven.

This is now increasingly changing in local government as more district councils consider merging their management structures, following the example of Adur DC and Worthing BC.

Elsewhere, counties and districts councils seek to improve two-tier working, helped by Regional Improvement and Efficiency Partnerships.

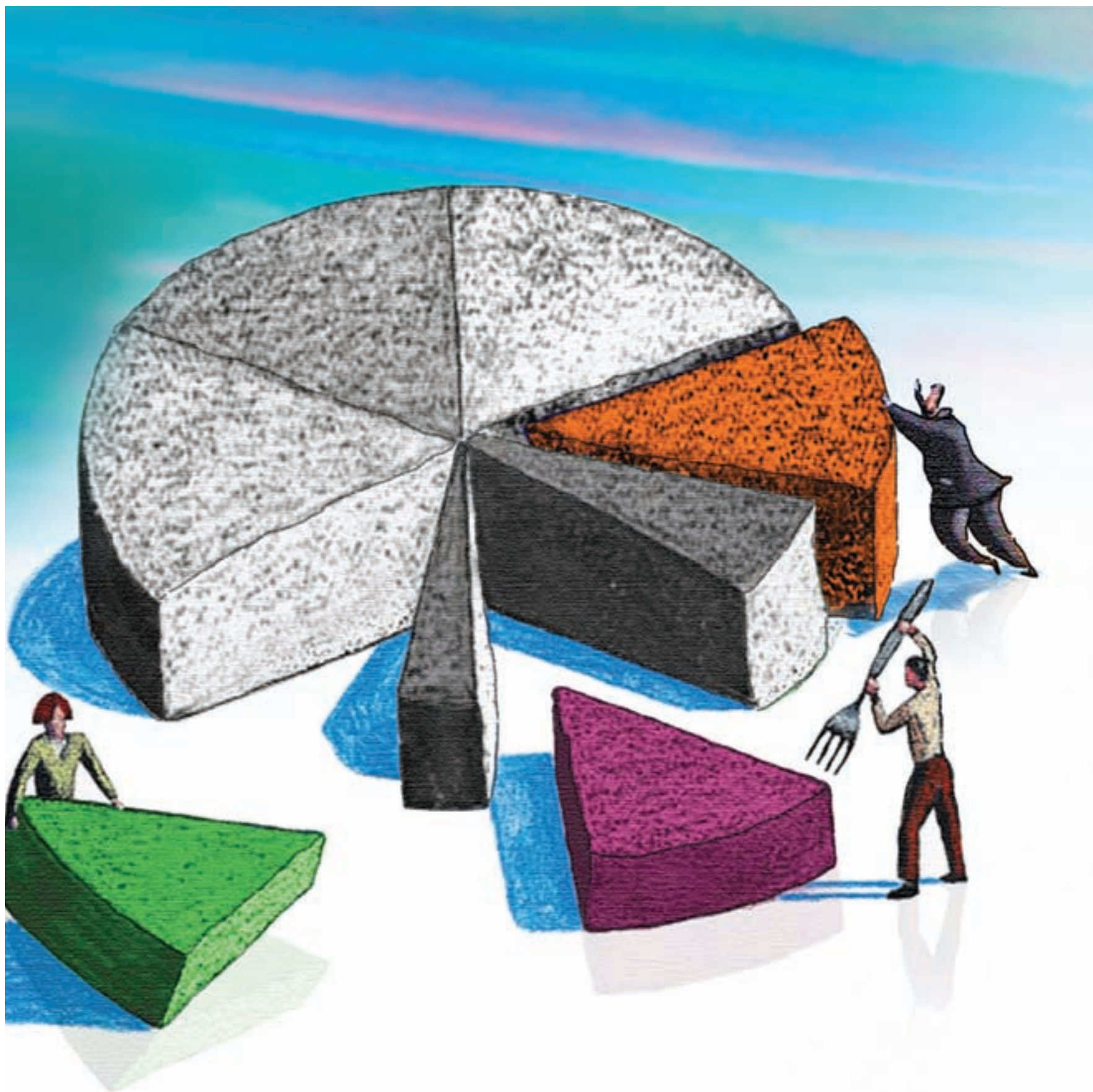
The Buckinghamshire Pathfinder programme focuses on six services (shared support services, customer services, demand-led transport, waste, procurement and community engagement), with each of the five chief executives leading on one or more workstreams. Outsourcing and joint ventures are also being explored.

From our research for SOLACE and our experience with other clients, there are five conclusions from these experiments:

1. It's too soon to judge the results. Some evidence shows impressive efficiency savings and service improvements can be achieved by shared services on a sustained basis (eg the Anglia Revenues Partnership). However such examples are rare. It is only when new, larger shared services now being developed are finally implemented, that the picture is likely to change. Only then will we be able to draw comparisons between the outcomes of different sourcing options.

2. Organic can be a healthy choice. Promising shared services have been developed on a gradual basis, relying on high levels of trust between partners rather than strict contracts or detailed service level agree-

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ments.

Martin Smith, Tower Hamlets LBC chief executive, says, "There is a risk in formalising – a risk that we would destroy the fluidity and flexibility of the arrangement".

3. We need to let go. Authorities are usually more willing to share their services with other organisations than they are to share a service provided by another organisation. The reasons advanced to explain this include fear of a loss of control, lack of trust, lack of management commitment and political reluctance to share with authorities of a different political hue. Buckinghamshire Pathfinder's programme director, Nick Cave perceives, 'a lot of hesitancy about this – there's often not enough pressure on people to make a step change and take a risk'.

4. Invest and commit! Success has depended on sustained commitment, specialist help and dedicated project resources.

As David Burnip, chief executive of Forest Heath DC argues: 'There's a lot of talk about shared services but it's easy to create barriers ... if you wait to get every detail worked out, it won't happen.'

5. Don't ignore governance. Although the overhead of establishing a shared service is less than for an outsourcing project, formal decisions, including the setting up of joint committee arrangements need to

be taken properly and in the right order.

The political commitment generated through effective member governance arrangements will help to build the organisational culture needed.

Considerable effort is now being invested in shared services, and imaginative new approaches are being developed. Advocates such as Steve Knights, strategic manager at the Anglia Revenues Partnership, confidently asserts: 'We believe that partnership is a more efficient arrangement than outsourcing.' The jury may be out, but the evidence is flooding in. ■

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