essential skills and knowledge for public sector managers

Shared CEOs for shared services
Is it a "viagra moment"?

Manny Gatt ponders on whether shared chief executives are the best way forward if your real goal is eye-watering shared service efficiency gains

Shared Chief Executives - for the right reasons

Sharing in the garden of England

Alasdair Robertson on managing shared service projects in the Mid-Kent Improvement Partnership

Gaining leadership buy in

A tool to gain board level, cabinet or even cross-party agreement over which services to share and which to keep in-house

10 key elements in outsourcing

Gerald Couldrake looks at key features that should be in an outsourcing contract

Views from academic research

Nigel Robinson shares his MBA research into the barriers to shared services

The ones to watch

*New shared service procurement rules
Increased say for residents in shared services
News on G-clouds for shared services*

Case Studies   Tools & Techniques   Reviews

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essential skills and knowledge for setting up shared services in the public sector

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By not preparing senior managers or political representatives for shared service activity, organisations are gambling with the success or failure of their involvement."

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2

THE SHARED SERVICE ARCHITECT'S TOOLBOX

40 tools, techniques and templates for building strong trust and absolute clarity of shared vision between public sector partners in shared services

3

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100%

of delegates who have attended **SSA** seminars recommend them for their colleagues who will be undertaking shared service activity in 2010

In this edition we look at why shared chief executives are well positioned to overcome the major barriers to shared service activity.

However, Manny Gatt poses a question about whether only two councils sharing a CEO can build the economy of scale necessary for the 10-20%, or more, annual efficiency gains that may be necessary in coming years?

Putting 30p per resident into a shared service project pot is one way the four authorities in the Mid-Kent partnership structured its governance. Alasdair Robertson explains more.

The Conservatives are saying that if they get into power, outsourcing will be their priority rather than shared services. So with that in mind Gerald Couldrake looks at elements of outsourcing contracts that a Shared Service Architect should be aware of.

In an academic view, Nigel Robinson, Wellingborough Council's Revenues Services Manager, sets out the results of his research at Northampton University into overcoming barriers to shared services.

If you have case studies or research in shared services that you would like to share with other practitioners, through this magazine, then drop me a line. We are just beginning to prepare the Feb 2010 edition.

Enjoy your Christmas break, if you get one, and seasons greetings from us all here.

Dominic Macdonald-Wallace

Editorial@sharedservicearchitects.co.uk

contents

Keep Shared Services local, say some chief execs

How can shared service and outsourced contracts be balanced with local economic needs?

The Local Government Chronicle, in a survey supported by Liberata, has revealed emerging interest among council chief executives and deputies in ways to keep outsourced contracts within a local authority's area.

The LGC reports that of the 71% of chief executives and their deputies questioned, 16% would consider outsourcing finance and accounting functions locally, against 10% who admitted they would be happy to move services anywhere in the UK.

The interviewees suggested that other commonly outsourced services that could be kept locally are:

- property management(17%)
- human resources and payroll (13%)
- IT (12%)
- revenue and benefits (13%).

The survey indicates the growing attempts by councils to balance shared services, outsourcing and other ways of addressing their reduction in income, against the local economic pressures to retain local jobs.

However, procurement experts are expressing some doubts about the ability to purposefully award local-only contracts without infringing EU laws on giving equal access to public sector contracts across all European businesses.

LBRO launch shared service discussion papers

The Local Better Regulation Office is releasing a series of papers on shared services including a briefing on the *Strategic Implications of Shared Working In Regulatory Services*.

The briefing suggests that *"integrating or sharing services locally provides an opportunity not only to make savings but to redesign services to better meet the particular needs of the community."*

It provides sections on the Approach, Benefits, Risks and Success Criteria for shared service projects in the regulatory sector.

The papers can be downloaded from www.lbro.org.uk or contact Lisa Peplow, LBRO's Policy Manager for Programme Delivery and Service Improvement.

CIPFA to release major shared services survey in Jan 2010

"...organisations across the public sector are increasingly turning to shared services..."

Localgov.co.uk has revealed that CIPFA are to release a major shared service report in Jan 2010 after a survey of its membership.

The article (03/12/09) says that when the survey is released it will evidence that the shared service option is becoming 'increasingly attractive' in order to help save money during the current financial crisis.

CIPFA says that change management (62%) and gaining political agreement (45%) posed the most significant challenges to sharing services, according to respondents.

Dr Paul Jackson, CIPFA's performance improvement adviser, is reported as saying: 'This survey clearly demonstrates that organisations across the public sector are increasingly turning to shared services as a way to preserve frontline services during the financial crisis.'

Legal Shared Service projects on the increase

The LBLA aim is to save £1.44m a year by using fewer private law firms, locums and barristers.

Thirteen district councils in Essex announced in October that they have joined up with the county council to form a new legal partnership. At the same time, six London boroughs have pooled their legal resources.

The Essex Legal Services Partnership joins the growing number of initiatives that are forming to provide resilience and overcome professional shortages in local government. The partnership reports that it will be using a "virtual" team approach to legal services. Under this system each council will still have in-house resources, but the team will share learning and documentation.

The London collaboration is to be called the London Boroughs Legal Alliance (LBLA) and brings together legal resources from Camden, Harrow, Hammersmith and Fulham, Hillingdon and Hounslow councils.

In addition to the core areas of local government work the LBLA members will also collaborate on procurement of ancillary services, such as online knowledge and case management

The Law Society Gazette reports that the LBLA aims to save £1.44m a year by using fewer private law firms, locum and barristers.

Two new shared CEOs

The LGC reports that two new shared CEO structures are to be set up. Bromsgrove BC and Reditch DC are to create a single spine management with the ambition of an initial saving of £1.2m and £500k per annum there after. Havant BC and East Hampshire DC are

to share CEO Sandy Hopkins, with predictions of between £600k and £1m.

(See Manny Gatt's article over the page, which ponders on why it might be a bit late in the day for two-council shared CEO projects to share services.)

Solihull and Lichfield to share finance systems

The councils claim that this is the first time such a partnership has been run for Oracle financial systems.

Solihull Metropolitan Borough Council is to host Lichfield District Council's financial systems, including an online purchasing system, a general ledger and a workflow, as part of a three year shared service contract with each other.

In an October press release, Cllr Michael Wilcox, Cabinet Member for Finance Revenues and Benefits at Lichfield District Council, commented: "The partnership has allowed us to cost effectively access a top class financial system, whilst at the same time we've strengthened our resilience, support and emergency response."

The partnership feel that the implementation has progressed smoothly so far and user feedback on the system upgrade has been very

positive. Cllr Willcox says, "Moving forward we are confident that the partnership will allow us to easily share best practice and generate further value for money gains."

Cllr Ken Hawkins, Cabinet Member for Resources at Solihull Metropolitan Borough Council, said: "By employing this project both councils will benefit by sharing the costs and achieving value for money. The partnership gives Lichfield DC the ability to align with a council that has the latest technology, and enjoy the benefits of a robust support network.

We are now sharing good practice, and this will hopefully lead to further opportunities of developing shared services with other councils in the future."

Shared Chief Executives
Is this a viagra moment?

Manny Gatt, MD of Shared Service Architecture Ltd, takes a closer look at the shared CEO debate and wonders if they are a bit too late if they want shared services as the gain?

When Pfizer released their viagra drug, the original purpose was to treat angina by opening up blood vessels. It has proved effective in doing that and has saved huge numbers of lives including babies with lung problems. However if you ask generally what viagra is for, its the secondary effect that is more famous. Hold that thought for a moment.

The case for shared chief executives was first reviewed by the IDEA in 2008. They reported that *"Councils have chosen to share a chief executive for a variety of reasons. In some cases...to turn around a failing authority. In other cases the need to cover the loss of a chief executive..."[1]*. There was only passing reference to a secondary benefit of shared services.

However, now it appears that the "viagra moment" is emerging, with more recently published surveys on shared CEOs focusing on rapid shared services as the main prize.

It is easy to see why, as the savings on a single management spine is a one off cost, where as shared service activity should be a year-on-year efficiency gain and the savings much bigger.

Why will shared services be quicker under shared CEOs?

One of the reasons that shared services can take on average from 28 to 36[2] months to deliver, is because of the building of trust and shared vision that must take place between partners. No matter how much funding there may be and how strong a project team, if the leadership and management in the partners do not trust each other, or there is no shared vision and passion for a project, it will stumble, stall or fold.

Prof. Chris Huxham suggests that a complexity in collaborations is caused by hierarchical relationships not generally featuring in collaborative settings[3]. Leadership skills in collaboration tends to be founded on inspiring, nurturing, supporting and communicating to create a "glue of trust".

In addition there is the complexity of how leaders in collaborations behave when they are not actually in charge. Prof. Sandra Schruijer suggests that all too often they put themselves forward as neutral facilitators of collaboration whilst in reality they tend to serve their own interests and act more like managers[4].

The appointment of a single Chief Executive to bridge two Cabinets, and the recruitment of a single management spine who sign up to the shared service agenda because their jobs are not at risk, removes many key barriers[5].

It also avoids "professional terrorism". This questionable phrase, from the 2008 IDEA report, suggests that there are service heads and professionals who resist or conspire to avoid shared service activities between partners[6]. Elizabeth Lank, in her book Collaborative Advantage[7], writes that, *"...you cannot "manage" partners in the way that you manage staff."... "The efficient process whereby disagreement can be remedied by 'the boss' arbitrating is much less straight forward in a collaborative setting."*

Therefore we can conclude that the Shared Chief Executive can bring the role of 'the boss' to shared service discussion and overcome any professional terrorism. This is confirmed in the recent IDEA (2009) shared CEO report when it says, *"...the pace of shared service development across two councils quickens following the establishment of joint management arrangements."*

[1] IDEA (2008) *Shared Service Chief Executives - the lessons.* p3

[2] Examples of this length of time can be found in the Welland Partnership, the south Linc's "triangle", Thames Gateway Building Control Partnership and many others.

[3] Huxham & Vangen (2006) *Managing To Collaborate.* P202-203

[4] Schruijer S. (2008) Oxford Handbook of Inter-organisational Relations. P 434-435

[5] See Nigel Robinson's article on page 16

[6] IDEA (2008) *Shared Service Chief Executives - the lessons.* p11

[7] Lank, E. (2006) Collaborative Advantage. p131

However the savings on shared services are into hundreds of thousands - illustrating why it is the better prize of two councils joining their executive together. And therein lies the problem.

It cites a key reason for this as, *"Once in post, chief executives value having a single voice, theirs at the top of the organisation.8"*

So what could be the problem with shared services under a shared chief executive?

Stephen Fletcher9 the main IDEA (2009) report author writes in the introduction, *"A growing number of councils have chosen to deepen their partnership working by sharing their chief executives and management teams to facilitate shared services10."* So, they are clearly moving away from a year ago where the shared CEO was the cure for poor performance or to cut costs on senior leadership pay.

The IDEA report provides a very helpful table on page 5, which sets out the actual and projected savings that could be made through both joint management and shared services. For the majority of the 10 partnerships quoted, the savings on joint management spines is in tens of thousands.

However the savings on shared services are into hundreds of thousands or greater - illustrating why it is the better prize of two councils joining their executive together. And therein lies the problem.

We can understand why the benefit of a shared 'boss' and management create the seductive side effect of accelerating the shared service efficiency gains.

However the downside is that there are only two players in the shared service partnership and therefore economies of scale are limited.

Phil Walker, the Director of Finance at Surrey CC, wrote in the MJ11, in November, *"Although there has been more joint working activity recently,*

*particularly among smaller district and borough councils, with shared chief executive appointments and the merging of some back-office functions, it hasn't been on a large scale
...Sharing back-office functions with a neighbouring district is probably going to be just the tip of the iceberg. In all likelihood these functions will have to be shared over larger areas and services."*

So, I am left pondering this. For the few already established shared CEO structures like Adur and Worthing there is no problem with what I am going to say next and they should be praised for their innovation and success. They are up and running and ready to share with other neighbouring councils.

However, if a council is starting out at the beginning of 2010 on shared management, it will probably take up to two years for the selection, appointment and bedding in of the new single spine systems and culture. With a fair wind, all will be stabilised by mid-to-end of 2012.

But what if, between now and 2012, the other neighbours apply all their energy to landing federal shared services, rather than joint CEO. And, by 2012, they are motoring as a 4 or 5 council shared service cluster with economies of scale delivering efficiencies far beyond any two-handed model12.

And what if, maybe ... just maybe, there will not be room at the table for any new partners. Or late comers (e.g. the new single spine councils) are required to pay an exorbitant premium in establishment costs to join.

What if, the seeming seduction of accelerated shared services under a two council shared CEO model, is all too late. What if it proves only a temporarily beneficial experience and a distraction from the real prize, huge economies of scale in a much bigger partnership.

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8 IDEA (2009) *Shared chief executives and joint management: a model for the future,* p7
9 Stephen is IDEA Regional Associate for the South West of England
10 IDEA (2009) *Shared chief executives and joint management: a model for the future,* p2
11 Management Journal 12/11/2009 p9 "Money Matters"

12 And, maybe as a result of Total Place with Police, F&R, PCT and FE Colleges thrown in for additional good measure

What can we learn from the Mid-Kent Improvement Partnership?

The partnership define a "joint service" as where each retains their own dedicated team but the teams work alongside each other.

A "shared service" is about all or part of a service being managed by a single partner, on behalf of others.

In September 2008, the Mid-Kent Improvement Partnership (MKIP) emerged as a fully governanced, collaborative partnership. This was following less formal projects in previous years between Ashford BC, Maidstone BC, Tunbridge Wells DC and Swale BC councils on business transformation projects.

The project was supported by the partners' funding contributions plus £75,000 from the South East Centre of Excellence and £50,000 from the Kent & Medway Improvement Partnership. The funding enabled the partners to appoint Alasdair Robertson as the Head of Improvement and Alasdair now has responsibility for the MKIP's programme of activity.

We put a number of questions to Alasdair about the partnership working and what had been discovered since its inception.

What were the drivers for forming the Mid-Kent Improvement Partnership?

Firstly, we had already reviewed a number of services. For example we looked at Maidstone and Tunbridge Wells' audit and scrutiny activity and realised that part of the transformation could be joining them up for even greater benefits.

That kind of experimentation in the early days helped a lot to recognise collaborative opportunities between the partners. Also, it was at a time when there was no clear imperative for outsourcing, so we were charged to look for joint or shared service solutions to the improvement/efficiency gains we were seeking.

When MKIP was set up, how was the governance structured?

We used a light touch, emergent strategy, agreeing to solve problems and risks as we went along, putting substantial effort into building mutual trust. It sounds a bit vague but

it works well and now we are reaping the dividends as we get into the more complex areas of joint working where jobs are at risk.

There had to be some formalisation, however. For example each partner signed up to work in the partnership for 4 years. If someone wanted to opt out they had to give six months notice. And, they all agreed to pay 30p per head of population in their locality into a fund.

We set up a Management Board of the four leaders and four CEOs that meets quarterly to approve projects and has a rotating chair so there is a feeling of ownership by all partners.

A programme board meets monthly to guide the delivery of the projects.

What successes have there been so far?

In the last 12 months we have been looking at both the transformation and sharing option of a number of services.

The key ones are Internal Audit, Shared Legal, Revenues and Benefits, Print and Reprographics, Contract Monitoring and Shared Insurance functions.

For example on the insurance activity we have made £57k in savings and on the print £230k. Our ambition for the legal service is potentially over £250k per annum. The key to the success is that we have experimented around a number of small services, carrying out both BTP and looking for collaborations. That has given us the confidence to handle the larger ones.

What is the next stage for MKIP?

We are currently working on the proof of concept for more shared services where there is sufficient economies of scale to justify the effort.

With the success of the initial small services we now have a reasonably mature and trusting relationship between the four councils.

Also in the next stage we will need to pro-actively manage the issues around a partner, having committed to a shared service, then no longer being in control of their in-house destiny.

However there are still wide variations in internal behaviour and there is some internal resistance to change across managers who are uncertain of their future.

Also in the next stage we will need to pro-actively manage the issues around a partner, having committed to a shared service, then no longer being in control of their in-house destiny.

What is the key learning from your activity?

We managed to establish the principle that joint working and shared services can be delivered within MKIP.

We have learned where to look for substantial savings and efficiency gains and what not to disturb.

We also identified that the current operational assumptions for services are frequently incorrect. For example we learned that there is little correlation in Revenue and Benefits between the speed of service provision and customer satisfaction.

So a shared service provides an opportunity to ensure that operational assumptions are reviewed and the new service delivers what the end users and members want from the service, not what we imagine they want.

What would you do differently if you were to start again?

Apart from getting a lead person appointed early into a shared service activity and spending more time on building trust and shared commitment/vision between the partners, not a lot else needs to be different.

A step by step, well paced approach is effective in joint working.

The Initial Elements of KMIP Governance

1. Governance is cited as pursuant to the Local Government Acts 1972, 2000 and Local Government and Public Involvement in Health Act 2007.

2. All partners to sign up for four years, with a six months notice clause to leave.

3. There is a quarterly Management Board of Leaders and CEOs. Access to information is covered under the LA Executive Arrangements (Access to information) Amendment Regulations of 2000 and 2002 or section 100 A-K and Schedule 12 of the 1972 Local Government Act. Chairs are rotated annually.

4. A host authority has been appointed to serve the Management Board as part of the administration of KMIP.

5. Each party to make a 30p per head of their population, annual contribution. Funds not spent at the end of a year are returned.

6. One of the partners is appointed as the accountable body to hold the funds.

7. Members of KMIP can choose to opt into, or not join, a joint or shared service project.

8. They also have the freedom of joining later. Any costs associated with joining later will be agreed between the parties involved.

9. The programme board works by consensus whenever possible. If a consensus cannot be reached then a vote will be taken with a simple majority required.

The Shared Service Architect's Toolbox

40 tools, techniques and templates for building strong trust and absolute clarity of shared vision between public sector partners in a shared service.

"A lack of real trust and clear shared vision between partnering organisations will cause shared service projects to stall or fail, no matter how much money is available, or how good the project team and IT systems on offer may be."

Save up to £15* by buying through our website before 17th December 2009

Why do shared services take so long, stall or fail?

Shared services and collaborations in the public sector are a key option for addressing the diminishing funding from central government. However, even apparently straight forward voluntary projects between public sector organisations can take from 28 months to several years from inception to delivery.

Yet the solution to this problem is well recognised in the academic field of inter-organisational relations, and is now being articulated by the many government agencies supporting this field of work.

This 240 page book, containing 40 tools, techniques and templates, is written for all public sector managers who are being asked to lead on inter-organisational shared services and want to overcome the problems that slow down shared service success.

Based on years of field work and 18 months of academic study

The 40 tools in the Toolbox are based on many years of frontline field work, an 18 month academic study at Canterbury Christ Church University, 10 shared service workshops and the evidence from almost 100 documents referred to in the knowledge bank at the front of the book.

The 40 tools, each described clearly in its own four page layout, are designed so that what you read in the morning you could be applying in the afternoon.

The book is also supported by an online library of links to over 400 shared service documents.

Download example chapters and free tools from:
www.sharedservicearchitects.co.uk

* this offer does not apply to purchases through Amazon

Tool: 23

AGREEING AT LEADERSHIP LEVEL WHICH SERVICES TO SHARE

This is Tool 23 in the Shared Service Architect's Toolbox of 40 tools, techniques and templates.

It can be used by boards, cabinets, cross-party group and other decision making level meetings to agree which services are to be shared and which retained in-house.

[Click here to read about the Toolbox and the 40 tools, techniques and templates](#)

The footnotes refer to the, almost 100, articles, books, case studies and public sector documents that are the foundation of the 40 tools, techniques and templates in the Toolbox.

Tool 23 can be used to facilitate an open discussion at decision making, cross-party /cross-board level about which services should remain under long-term sovereign control and which could be moved to a shared service (federal control)[1].

One of the bi-products of SSA's 2008 research suggests that many of the initiatives for sharing services can arise in an indiscriminate fashion, driven by enthusiastic individuals in senior management[2&3]. This happens for good reason, but not always with a good outcome.

The majority of senior managers in the public sector are members of local networks or professional bodies and in regular discussion with their peers in neighbouring organisations. Through the many years of this collaborative working, trust is built with-in the peer group and informal discussions on what could be shared begins to take place.

However, research evidence[4] and press reports on councillors' criticisms of shared services[5], reveals that frequently senior managers progress shared service discussions without reference to the understanding, expectations and emotions of their councillors or board members.

The outcome is that good projects have been stalled by both incumbent and opposition councillors or board members who are unhappy the sharing of a service has been under discussion without their input.

This is not unexpected for a number of reasons. Sometimes the notion of shared services goes against the "political heart" of some councillors[6].

So, it appears that there may be significant time being wasted by well meaning managers holding shared service discussions with their colleagues in potential partners, without the full focus[7] of their leadership. The Calling Cumbria project evidences this issue. *"Despite extensive discussions, Cumbrian local authorities had not made progress on efficiency through shared services. That was because of different starting points, lack of agreement on what might be gained and, indeed, sovereignty issues.[8]"*

If the sovereignty issue is the problem then only the cabinet or board members can make the final decision. Therefore their involvement from an early stage in deciding the sovereignty issue will save a lot of wasted management time and money on shelved business plans.

Tool 23 facilitates the first steps of involving an organisations' highest leadership in this decision making process. It also ensure that there is a "political heart" discussion of the long term strategy on shared services.

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[1] PWC (2005) - Sovereign being kept with-in the organisation, federal being shared with external partners.

[2] For example in the East Kent Cluster, in 2008, managers of services were encouraged to bid for funds to support services they felt were "ripe" for change.

[3] Brand, A. (2006) p72.

[4] Accord Consulting (2007) p7. "*However, there is a widely held view that the main body of members in each partner council, whilst aware of the existence of the Welland Partnership, were not as well acquainted with the debates and considerations which sat behind its work as they might have been. Several Members we interviewed referred to the 'democratic deficit' and we understood that some people felt this weakened the Partnership.*".

[5] Yorkshire Post (2009), KOS Media (2008)

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[6] EM IEP (2009) p3. "*The challenges included... the political sensitivity around shared services. A spirit of individualism and independence exists in some local authorities and consequently there is a natural resistance to "losing" a local service to a larger, centralised more corporate model.*".

[7] If you look at a range of Shared Service strategies from councils, they tend to be fairly optimistic, cabinet level, documents that send out "scouts" to talk to potential partners about a number of shared services. So it is not that the managers do not have permission to talk, its is more that councillors are still at a very strategic level of "maybe-ism" when the managers possibly believe they have a green light to move to business case discussions.

[8] Leadership Centre for Local Government (2008).

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Tool: 23

The reality is that, through lack of this kind of discussion between groups of decision makers, hundreds of thousands of pounds has been wasted on shared service business cases that have gone nowhere.

So what do you want to keep in-house (sovereign) and what do you want to delegate (federally)[1]?

In the NLGN publication "The Politics Of Shared Services.[2]" the recommendations confirm that: *"Working across political parties helps to build strong support, minimises political opposition and makes projects more resilient against political changes. Do not present [a shared service] to members as an afterthought but take time to win their support. Give them the time, space and information to really question the process.".*

Tool 23, which has been used successfully with councillors and board members can be a first step in providing the time and space to "question the process". Their options are:

1. to keep a service delivered in-house and improve the current method of delivery.

2. to keep a service delivered in-house but innovate and deliver it completely differently.

3. to share the service with partners, improving the current method of delivery.

4. to share a service with partners but innovate and deliver it completely differently.

At the end of using the tool the board, or cabinet, should have either moved towards a consensus on shared services, or a decision not to send out any further scouts until an

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[1] PriceWaterhouseCoopers (2005) define these two models of local government shared services. They define the "Federal Model" as taking similar processes and services and combining them across a number of authorities. PWC quote the sharing of a joint Human Resource service across a number of councils as an example. (CIPFA, PWC, 2008). The alternative PWC model is the "Sovereign Model". This is an arrangement where a council internally draws together several departments to share a common service between them.

[2] Brand, A. (2006) - available from the NLGN website for a fee.

The footnotes refer to the, almost 100, articles, books, case studies and public sector documents that are the foundation of the 40 tools, techniques and templates in the Toolbox.

How can you use this tool?

Tool 23 can be used to facilitate an open discussion at decision making level about which services should remain under long-term sovereign control and which could be moved to a shared service (federal control).

Step 1: Identify with the chair of the board, or cabinet leader, who they feel should be involved in this exercise.

Step 2: Before the meeting, make a list of the top 5 to 10 key services that are open to discussion on potential sharing[1]. Provide each person with a copy of the list.

Step 3: Explain the two dimensional nature of the matrix. Firstly to decide if a service is to remain sovereign or become federal. Secondly based on that decision does it go into the "improve" or "innovate" categories.

Step 4: Allow the group an open discussion, working through each of the shared services on your list, allotting them to their space on the matrix[2].

For a council, if there is no cross party agreement on which services are selected, then it will need to be explained when opening discussions with partners. The partners may want a long term deal for investment purposes and would wish to know that the service would not be thwarted by a change of council control.

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[1] For example some services may already be on long-term outsourcing contracts, so cannot form part of this discussion.
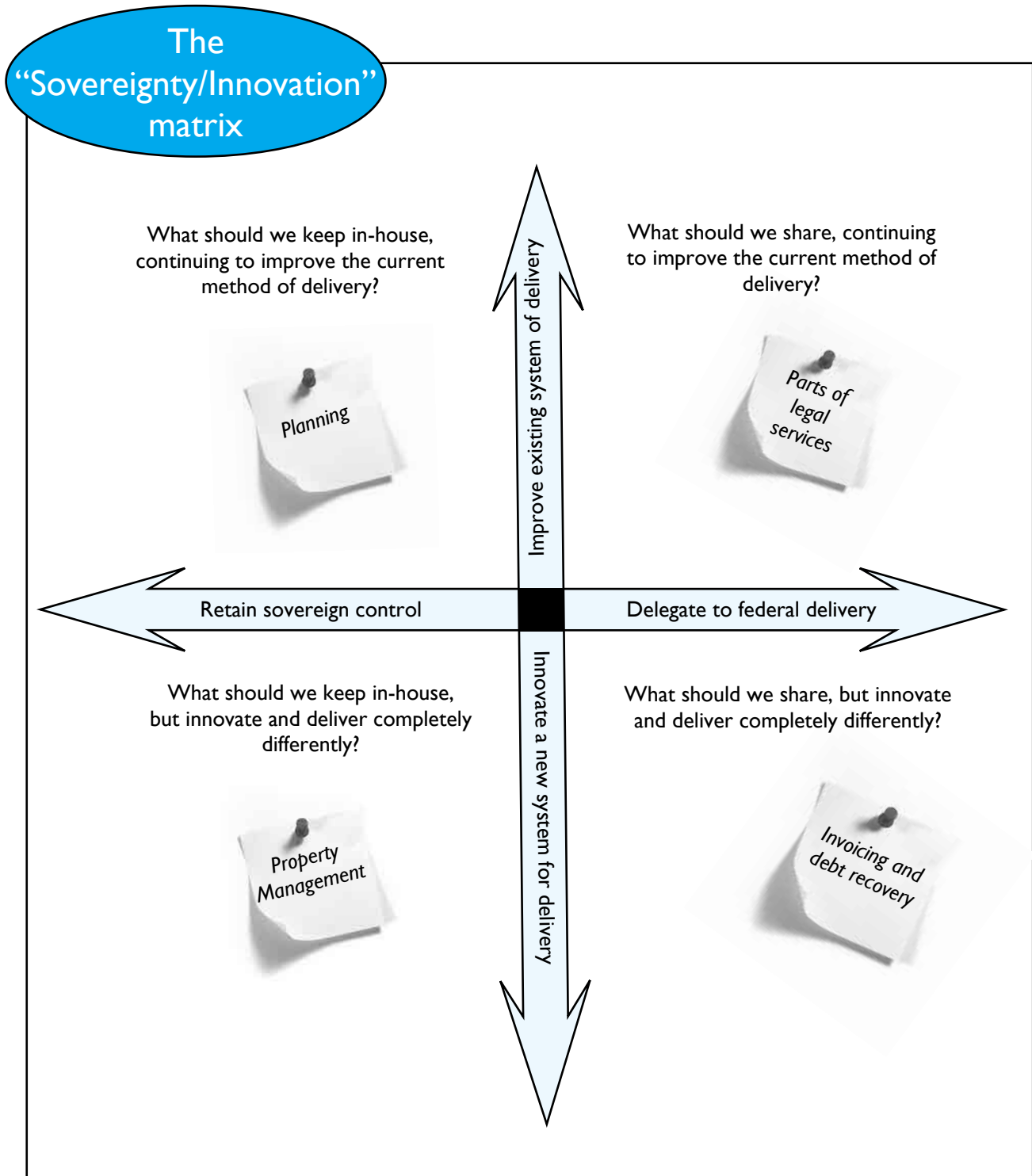
[2] You may want to put the matrix on a wall and write in the name of the service as it is agreed.

overall strategy and consensus is agreed in-house.

The reality is that, through lack of this kind of discussion between groups of decision makers, hundreds of thousands of pounds has been wasted on shared service business cases that have gone nowhere.

Tool: 23

The "Sovereignty/Innovation" matrix

What should we keep in-house, continuing to improve the current method of delivery?

Planning

What should we share, continuing to improve the current method of delivery?

Parts of legal services

Improve existing system of delivery

Retain sovereign control ←→ Delegate to federal delivery

Innovate a new system for delivery

What should we keep in-house, but innovate and deliver completely differently?

Property Management

What should we share, but innovate and deliver completely differently?

Invoicing and debt recovery

Shared Service Architects cannot ignore the outsourcing option...

In this article, Gerald Couldrake, a partner with Howes Percival Solicitors, sets out 10 key areas of focus in an outsourcing agreement that shared service architects should be aware of.

The impact of the global recession has focused the minds of many corporate leaders into getting more efficiencies and cost savings from their business. Inevitably, in many cases, this leads to a review of how cost effective and efficient certain service departments are in the business.

A tempting way to save money and provide a more efficient service can be to outsource, to a more specialist service provider, certain services.

This has increased relevance to the public sector as, in June of this year, Shadow Cabinet Office minister Francis Maude announced that the Conservative party believes that outsourcing is a better way of making public sector essential efficiency savings than shared services.

He told Personnel Today that, "*If shared services are started and run in-house, you will always have turf difficulties over who will run it. But if functions are outsourced, the turf difficulties get removed and you are more likely to have a better outcome in terms of getting more for less.*"

Traditionally, the common areas for outsourcing have been the provision of services in the areas of IT, telecommunications, help desks, call centres and logistics.

However, in theory there is no ceiling on the range of services that can be outsourced and we are seeing a wider range of services being outsourced, including secretarial, technical and design, repair and maintenance and manufacturing.

The key to a successful outsourcing arrangement is to agree a very tightly drafted contract which will set out the expectations and obligations from both sides in entering into an outsourcing arrangement. I have highlighted a number of them to help your understanding of the "trickier" areas of outsourcing.

Elements of this article first appeared in Lynex Legal in October 2009.

10 key areas to focus on in drawing up an outsourcing agreement

1. From where are the services to be performed? Are they going to be performed from the existing location, or can the service department be more effectively absorbed into the service provider, who will provide the service from a remote location? If the service is still to be provided from the existing location, what are the arrangements that will need to be entered into to allow a third party to occupy your premises?

2. Whilst the outsourcing arrangement would usually be exclusive, you may wish to reserve the ability to go to third parties should the service provider fail to provide the service adequately.

3. There may be preparatory steps which both parties will need to take before entering into the arrangement and being able to implement the services, and these should be carefully set out, listing which side is responsible for what.

4. It is vital to set out key performance indicators against which the performance of the service provider can be measured. The sanctions that can be imposed for failure to meet these key performance indicators also need to be clearly set out.

   Whilst ultimately termination would be an important sanction to be able to invoke, to keep the service provider on its toes for less than very serious breaches, it would be common to impose service credits so that sums of money can be deducted from the regular invoices for a failure to perform. If the value of service credits imposed reaches certain thresholds, then more serious penalties could be imposed.

Whilst the law may well say that staff will automatically transfer back to the original employer, or to the new service provider, very often this can be difficult to achieve if, for example, the new service provider is located in a very different location.

5. Very often the provision of the service will mean that certain documents or other materials are necessarily produced by the service provider. Such documents will be protected by copyright, and it is vital that the copyright in such documents is, through the agreement, assigned to the client. Otherwise, copyright will vest in the service provider and the client will only ever get an implied licence to use the materials.

6. The service provider may wish there to be volume forecasts set out for the scope of services that it is contracted to provide, and the agreement will need to confirm what happens if the volumes actually ordered are less than or more than those amounts.

7. Each side should appoint a service manager to be the first point of contact to monitor the performance of the services and to be able to deal with any discontent that either side has with the other. It may also be necessary for the service provider to commit to having certain key personnel to be wholly or partly dedicated to the provision of the services. Linked to this can sometimes be a complaints procedure if the client or certain members of staff of the client feel that they are receiving less than adequate service or they do not like, for example, the attitude of persons with whom they now deal. The relationship can change dramatically from one of close colleagues, to one of being an arms length contractor where the former colleagues no longer feels totally beholden to their former employer.

8. The service provider would prefer an agreement to be for a term of as long as possible, quite often several year's duration. It is important that the client has the ability to review the service provision on occasions during the term, prior to termination due to the agreement coming to the end of its natural life. This may

involve an ability to go out to competing service providers to ensure that the services are still being provided on competitive terms. If they are not, then there needs to be a mechanism for the agreement to be re-negotiated. (This can be difficult to draft). Ultimately, the sanctions have to be that if an agreement cannot be reached in circumstances where the services are not being provided on competitive terms, then the agreement can be terminated.

9. On termination, a contentious area can be, who is responsible for the redundancy of staff who might not be taken on when the agreement ends. Whilst the law may well say that staff will automatically transfer back to the original employer, or to the new service provider, very often this can be difficult to achieve if, for example, the new service provider is located in a very different location.

10. During the lifetime of an outsourcing agreement, it should be assumed that things will change. Therefore, a carefully worded "change control" clause is often advisable, which sets out how the changes can occur to the service provision and the client will often want the ability to require changes to be made, whilst not wanting to be forced to agree an excessive price change from the service provider. Very often the solution is to go to some sort of independent expert.

The current and pending cuts of senior posts in the public sector suggests that some of the institutional wisdom and memory around outsourcing contracts may be lost from many councils. This could disadvantage those authorities who enter into contracts without appropriate experience, advice and guidance.

Unlocking the success factors to forming a shared service

Nigel Robinson, Revenue Services Manager at Wellingborough Council, has been working on the frontline of shared services for six years.

This year he completed his MBA with a research study on unlocking the success factors to forming a shared service in local councils.

Over the last five years the competing pressures to improve service delivery, meet rising customer expectations and yet make large efficiency savings, have led local government to consider the shared service model seriously. But the evidence indicates that progress in yielding potential efficiencies has been slow, with many initiatives failing during the initiation and implementation phases.

In my MBA research, at University of Northampton[1], I drew on the experiences of the private sector, academic study and pioneering colleagues to gain insight into the factors in successful shared services implementation. These 10 elements emerged as key to unlocking success:

1. Agree a shared vision

Agree a shared vision with your partners from the outset. A set of desired outcomes can be difficult for any organisation, but in a collaborative venture this is vital.

2. Be clear about the benefits each partner expects to receive

For true partnership to be successful all the partners need to receive some level of benefit, or there is no point to it. Help to build trust by adopting an open book approach.

3. Build the business case beyond financial benefit

To win support of stakeholders and politicians build a compelling business case which goes beyond delivering economies of scale.

4. Select a delivery model which is suitable for your environment

A number of variations of delivery model exist. The 'federal model' proposed by PwC (2005) has been utilised successfully in the public sector.

[1] Robinson, N. (2009) *Unlocking the success factors to forming a shared service in local Councils: a case study.* University of Northampton

5. Establish effective governance arrangements

Accountability may change in the shared service environment. Use clear and open arrangements to facilitate effective decision making, build trust with 'open book' cost accounting and mitigate financial or reputation risks with a legal agreement.

6. Leadership is required at all levels of the partnership

Effective leadership is essential to project success; this is required at strategic and operational levels. Inexperienced change agents can build their capability by adopting the 'building block' principles from acknowledged change models, like Kotter's eight steps of change (see box on opposite page). However, a programmed approach is not always necessary.

7. Gain political support

Shared services can be politically sensitive. Build political trust by aligning outcomes with service improvements that are transparent to local constituencies.

8. Choose a host location carefully

Make sure that the host has the capacity and expertise to undertake this role. Undertake 'due diligence' checks and do not assume that a larger organisation always has the capability. Shared services rely on effective partnership, not a take over.

9. Deal with employee issues from the outset

The most common issues of employee TUPE transfer, harmonisation of conditions of service, relocation and restructuring are best dealt with during implementation. Even though they may seem daunting, adopting strategies to resolve them some time in the future, will only create resentment, dissent and more difficult barriers to resolve.

Kotter's Eight Steps of Change	As applied to shared services
1. Develop a sense of urgency	The short timeline of the Government improvement and efficiency agenda and pending budget cuts.
2. Establish a guiding coalition	Set up a project board of senior managers from partner Councils or departments.
3. Develop a vision and strategy	Agree the outcomes and business case for undertaking a shared service initiative.
4. Communicate the vision	Gain member approval at partner authorities and engage with relevant stakeholders and employees.
5. Empower a broad base of people to take action	Establish a project team, including specialists and local 'champions'. Develop comprehensive plans and use improvement workshops to inform new processes and facilitate training.
6. Generate short term wins	Undertake a phased implementation with distinct milestones.
7. Consolidate gains and produce more change	Build up the next stage of the project on the previous one.
8. Institutionalise new approaches in the culture	Harmonise employment conditions of restructured employees and document new procedures.

Based on: Kotter, J.P. (1996) *Leading change.* Boston: Harvard Business School Press.

John P Kotter is Professor of Leadership at Harvard Business School. His eight steps of change apply well to the shared service journey.

Shared Services are a journey, so take time to keep reinforcing the vision.

Therefore, clear communication and support from Human Resources professionals, will need to be built into the implementation plan.

Also, secondment should not be seen as a long term solution to employee transfer.

10. Spend time on communication and engagement

Shared services are a journey, so take time to keep reinforcing the vision. Regularly update people on progress and learn from employee and stakeholder feedback.

Effective communication will play a crucial role in overcoming barriers to development. Ensure that your managers have the capability to achieve this as communication skill levels in the public sector are generally quite low.

What are the conclusions from the research?

The majority of the factors that were identified by my research are not new. However it is their combination and relevance to the local government environment which is unique.

Whilst there can be no absolute template for success, my research concludes that the reason shared services can fail or implementation be so slow, is because the primary focus is too often on the hard factors (business case, finance, governance) at the expense of effective leadership and the key "softer" human issues.

Recommended reading for shared service architects...

Systems Thinking In The Public Sector
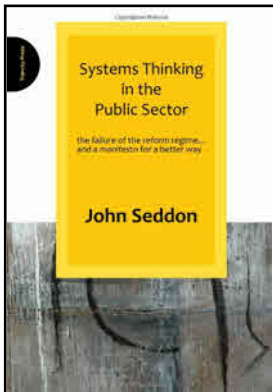
**Seddon, J.
Amazon price
£15.95**

With the benefit of our hindsight on the development of shared services activity in central and local government, this book only gets better. That's if you are willing to accept its propaganda for the systems thinking methodology as the solution to all problems. But look beyond that and it will challenge your approach to shared services in a positive way.

John Seddon is notorious for disturbing the current order in a well evidenced, common sense and seductive way. Writing in LGC[1] in July 2009, he suggested that the Audit Commission should be disbanded because it distorts the proper performance activity of the public sector. His claim is that,

"Targets always make performance worse. Mandated, they descend into our public services and distort the way services are designed and managed – ensuring people are focused upwards to the regime, not outwards to their customers. The Audit Commission is just part of the wider specifications industry – the army of people in Whitehall who spend their time creating specifications for public-sector managers' compliance.
Getting rid of all of them would create two savings: The money it costs to have these jobs (significant) and the waste caused by complying with their wrong-headed ideas (much larger)."

We need our John Seddons[2] in the shared service sector. They may not always be right, but they challenge many of the assumptions that we would otherwise take for granted. He is like the character in the tale of the King's new clothes, telling us that maybe there are times when the public sector is truly "in the altogether!".

So expect no less from this book, written in May 2008 and better for the fact we can look back over the last couple of years and compare our personal shared service experience with Seddon's conclusions and predictions.

In the introduction we are told that, *"The purpose of this book is to illustrate how "bureaucracy and red tape" have driven public services in the wrong direction.".* The arguement is well set out, starting with a good race through the history of the ideology that (through VfM, Gershon, Varney and the duty to collaborate) has created the joined-up government and shared services environment.

There is also, in Chapter 8, an entertaining critique of Sir Michael Barber and his creation of the 'Science of Deliverology'[3]. This is the concept that some civil servants are more excited by setting up systems pf excellence, than whether the system successfully supports the end user.

Among the many areas of "waste" and deliverology that Seddon attacks are the reform of the social care system, the creation of "public service factories[4]" and the choice based lettings service.

You can't come away from this book agreeing with all Seddon says, but it is an enjoyable and challenging read which leaves no doubt that the citizen must be at the heart of design in all shared service activity, not the deliverologists.

[1] The Local Government Chronicle
[2] Others are Dexter Whitfield at the ESSU or Chris Huxham at Univ. Of Strathclyde

[3] Seddon's term for this concept
[4] These are call centres such as NHS Direct and Consumer Direct

Made-To-Measure Problem Solving

"Wicked problems" are defined as Type-3 problems by Ronald Heifetz, Professor at the Kennedy School of Government, Harvard[1].

A Type-1 problem can be solved by technical knowledge, and a Type-2 is where there is a clear problem, but no clear solution. A Type-3 "Wicked Problem" is where there is no obvious definition of a problem or a solution.

Many of the problems that are confronting the public sector at this moment in time fall into the Type-2, or Type-3, definition. So maybe it is time for us to review our personal problem solving skills and learn some new problem solving techniques.

Victor Newman's book offers us a way of doing this - and don't be mislead by the fact the book is over 10 years old. The wide range of problem solving methodologies, accompanied by examples and templates, are timeless.

Newman was the Chief Learning Officer to Pfizer's Global R&D operation where he led on shared service activity between Pfizer departments. He also led the development of the new Life Sciences MBA at the Open University and regularly lectures at Cranfield University. His consulting has included Deloitte's, the FSA, the British Council and the Technology Strategy Board.

Newman's key expertise is the development of fast innovation and learning techniques for leadership teams. As problem solving and innovation are two sides of the same coin your innovation skills will be honed by this book too.

The first section of the book offers you a self-diagnostic to understand how you currently solve problems.

[1]Heifetz, R. (1994) *Leadership without easy answers*.

In it, Newman creates a "Problem Solving Profile Frame", made up of eight stages:

1. Identifying a problem

2. Gathering data

3. Analysing the data

4. Generating solutions

5. Selecting a solution

6. Planning implementation

7. Testing and rehearsing the implementation

8. Putting the solution into action

Having answered the diagnostic questions you will become aware of areas of personal development you may like to work on in the stages of the problem solving frame. You can then work through those particular stages in the book to improve and develop your techniques and solving styles.

You may recognise variations of some of the techniques in the Shared Service Architect's Toolbox as we drew on Newman's work for solutions to some of the problems in building shared vision between the leadership in partnering organisations.

For example, Tool 36: Moving from shared vision to design of the business case is based on Newman's "Planning Backwards" methodology.

The book is fast paced and populated with enjoyable anecdotes and advice on problem solving in teams.

It feels like a "one day seminar" wrapped up in a quick-fire,140 page read.
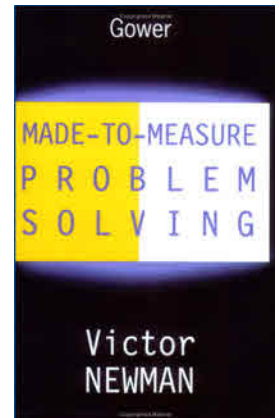
*Newman, V.
Amazon price
£23.75*

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If you had the opportunity, what would you write on this page?

Shared Service Architecture Magazine is a route for you to share your shared service activity, experience and research with practitioners across the world.
We are inviting articles, success stories, case studies, thought pieces or outline academic papers from shared service practitioners and academics for the February 2010 edition.

The criteria is that the writing must inform the body of knowledge on public sector shared services.
It should provide learning, and challenge the thinking of the shared service practitioner readers.
Article size is between 900 to 1100 words.

If you would like to submit a piece for consideration, please email the editor with an outline of what you would like to write and your phone number, by 15th December 2009.
Support will be provided in drafting if you are new to writing for a journal.

Two new European Court rulings and a G-cloud on the horizon

This sounds like a positive outcome for a group of public sector organisations who may wish to pay a host partner to carry out a shared service activity on their behalf.
But still seek expert legal advice!

The EU has announced that in recent judgments[1], the European Court of Justice (ECj) has confirmed that public-to-public co-operation, through the award of contracts to jointly controlled public entities, which have limited market orientation and which conduct the essential part of their activities for their public owners, does not require the application of the public procurement rules.

Also, in a separate case, ECJ Case C-480/06[2], European Commission v Germany there was a clarification through ruling that has extended circumstances where the TECKAL exemption may apply.

In this case, four administrative districts entered into a contract with the City of Hamburg Cleansing Department for waste disposal, without an advertised competitive procurement process. The European Commission sought a declaration by the ECJ that this breached public procurement law.

However, the ECJ held that public authorities can use their own resources to perform public services, and can do so in cooperation with other public entities, provided they do so for objectives in the public interest and do not undermine equal treatment.

This potentially sounds like a useful outcome for a group of councils who may wish to pay a host public sector partner to carry out a shared service activity on their behalf.

However, we would maintain the same advice that is given at our seminars and strongly recommend that in your role as a shared service architect on a project, to protect both the partners and yourself, you make doubly sure that expert legal counsel is taken by the partners on any element of procurement activity for delivery of the service.

Does a new EU protocol give citizens the right to have a say in shared services?

DCLG reports that on the 17/11/09 Local Government Minister Rosie Winterton signed, *"...an historic democratic agreement recognising the rights of citizens across Europe to have their views heard by their local leaders."*

The new protocol in the Charter of Local Self-Government[3] was agreed by Ministers from across Europe at a conference in Utrecht on 16/11/09. It confirms that citizens in States across the Continent should be engaged at every stage in local affairs from voting in their elected representatives to being consulted on local policy that matters to them.

DCLG state that, *"It builds on the commitment of the UK and other States to strengthening local democracy and creating strong effective councils that can represent their communities' needs."*

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[1] See *Case C-573/07 - SEA Srl v Comune di Ponte Nossa (10 September 2009)*
[2] (*Case C-480/06 - Commission v Federal Republic of Germany (9 June 2009)*

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[3] The original European Charter of Local Self-Government was developed by the Congress of the Council of Europe and was opened for signature by the Council of Europe's member states on 15 October 1985.

The "G-cloud" is a secure online computing system within which public sector bodies would use cloud computing to share hardware, software and upgrade costs.

Key measures in the agreement include:

- Involving local people in consultations, local referendums and petitions;

- Ensuring complaints and suggestions about services are dealt with and responded to;

- Giving people access to official local authority documents;

Rosie Winterton is quoted as saying:
*"Finding solutions to the challenges we face today requires action on a global, national and local scale, and it's local councils that can and do drive change on the ground. Strong and effective local councils need to be listening to local people and ensuring they are involved in shaping the places in which they live and the public services they use.
That's why I'm delighted to be signing this historic agreement that enshrines the rights of local citizens to be involved in local government at every stage, building on our own commitments to local democracy in the UK."*

You may want to watch how that plays out in your shared service locality, if councils are involved.

G-cloud computing to impact on future public sector ICT purchases - and therefore maybe your shared service activity

In Chapter 8 of the [Digital Britain report](#)[1], the UK government is promoting a "G-Cloud delivery model". The "G-cloud" is a secure online computing system within which public sector bodies would use cloud computing to share hardware, software and upgrade costs.

The theory in the report is that, *"[This] would both allow Government to benefit from the core attributes of Cloud Computing e.g. enhanced user experience, flexible pricing, elastic scaling, rapid provisioning, advanced virtualisation while also*

maintaining the appropriate levels of security, accountability and control required for most Government systems, and lead to substantial savings in costs[2].

The report claims that, *"Government [could] provide more cost effectively for peaks and surges in demand for e-Government services; and it would reduce the barriers to entry to the Government marketplace for application and other IT vendors, including SMEs, who would be able to provide services running on standardised, secure infrastructure without having to incur the costs of establishing and accrediting their own infrastructure."*

The impact on shared services comes out in paragraph 34 of Chapter 8. In chapter 33 it states: *"The establishment of a G-Cloud will however require investment in technical development and physical facilities, and the CIO Council and the Intellect Public Sector Council are now developing the strategic business case to justify funding the G-Cloud. Provided that this business case can be properly developed, the adoption of the G-Cloud will be a priority for Government investment to secure efficiencies, even within the very constrained framework for public expenditure, over the next 3 years."*

Then in paragraph 34 comes: *"In the meantime, all those Government bodies likely to procure ICT services should look to do so on a scaleable, cloud basis such that other public bodies can benefit from the new capability."*

If your shared service project requires the procurement of new ICT services, you may want to drop the G-cloud concept and Digital Britain, chapter 8, into the conversation.

> **If you believe there is a new law, protocol or other impact on shared services that colleagues should be aware of, please email [SSA Magazine](#).**

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[1] Department for Culture, Media and Sport (2009) *Digital Britain Final Report June 2009*. London: Office of Public Sector Information

[2] Chapter 8, para 31, p213

Oct 15th - Vancouver City Manager Penny Ballem has released a number of preliminary actions for outsourcing services to address the $60m city budget shortfall.

In response to the review "Banana Man" posted this on the City's website, **"What makes the author of this review think that outsourcing or contracting out saves money... You will have to reduce services to reduce costs, what do you want to give up?"**.

A bit erudite for a banana. Bet you they are a head of service, trying to make a point!
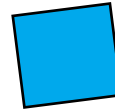
To SSA Magazine
From
Vancouver Sound

To SSA Magazine
From
The South Coast

13th Nov - Sitting in my hotel room listening to the radio and heard about a resident who complained to his council that his "blue badge" had faded in the sunlight and as a result he had been given a parking ticket.

He asked the council what he could do to make sure it doesn't happen again. An enthusiastic member of their contact centre team suggested that "he should put it where the sun doesn't shine!"

9th Nov - In Washington Cathedral and saw this prayer and thought of shared service architects...

So far today, my work is good. I've not made any mistakes, all my relationships are intact and my plans going well. But, in a minute I am going to have to get out of bed and go to work. Then Lord, I am going to need all the help I can get!

To SSA Magazine
From
Washington USA