Volume 1: Edition 5

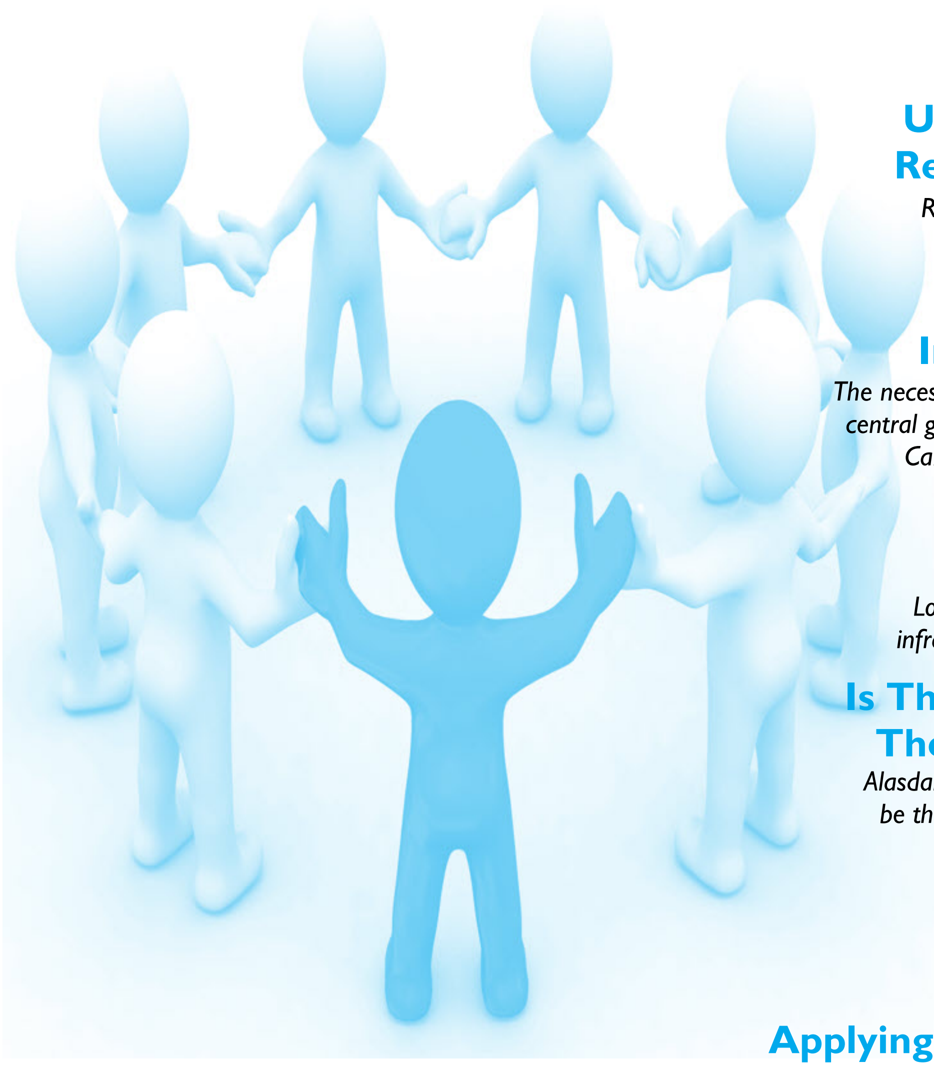
shared service architecture Magazine

essential shared service skills and knowledge for public sector managers

Shared Service Mutuals

A good idea? Or just a guilt-free way of sacking staff?

Manny Gatt examines the theory behind using mutuals as a vehicle for delivering shared services



Cabinet Office recommends shared service mutuals as a way forward for the public sector and Big Society, but not everyone agrees - especially the solicitors!

Universal Credit: Are Shared Revenues And Benefits Dead?

Read the full Nov 2010 DWP briefing note on the replacement of council delivered benefits services

Harmonisation Of T&Cs In Shared Services Scrapped

The necessity to harmonise terms and conditions of staff in central government shared services has been scrapped by Cabinet Office - and local government could be next

Get Your ICT In Place Before You Start To Share

Lon Jeal sets out a step-by-step checklist for an ICT infrastructure that will support shared service activity

Is The Maths Showing That '4' is The Best Number of Partners?

Alasdair Robertson explores why four partners seems to be the maximum for effective shared service efficiency

Shared Service Innovation in The Public Sector

Victor Newman asks why we are not 'doing different, with less'?

Applying The Gateway™ Process to Shared Service Business Cases

How to stop wasting your time and money on shared service business cases that are going nowhere

Ones To Watch...

'Blue light' shared services
The momentum grows for the ambulance, fire and police services to collaborate or merge

Case Studies | **Tools & Techniques** | **Reviews**

Welcome to a bumper edition of the magazine, packed with news on changes in the shared service activity across local government, the blue light services and the FE/HE sector. It includes six 'must read', updates to add to your 'Highway Code of Shared Services' knowledge bank folder too.

The first is for your 'shared service vehicles section' because Cabinet Office Minister Frances Maude has become a fan of employee mutuals as a way forward for shared services.

For your EU procurement section there is news that the Supreme Court has overturned the 2009 Brent vs RMP ruling on the Teckal test, making public-to-public shared service easier.

In your data protection section you may want to add the article on SOCITM, as it has now become a fan of G-Cloud computing and recommends it as a way forward for shared services. Also Lon Jeal of Foresight Consulting provides a 10 point checklist for developing an ICT infrastructure for shared services.

Then, if you work in the FE/HE sector, a new report from the Policy Exchange suggests that shared services could contribute to £2.7bn of savings within universities and FE colleges. We have reviewed the report and signposted to where you can download it from.

I would also recommend you read the article on Universal Credit, which will replace benefit payments currently made by district councils, which may call into question some shared revenues and benefit activity.

For your TUPE section in the knowledge bank you should add in our review of the Cabinet Office action in scrapping the harmonisation of T&Cs for central government outsourcing (local government may follow). This has major implications for staffing new shared service activity.

Final news is that the first cohort of the postgraduate certificate in shared services are into their final module - the 'employer's road map' activity and will graduate in April. Many employers are funding the next cohort to begin their journey from March through till July. It feels like the skill and knowledge of a Shared Service Architect is being recognised by employers as a senior role they need in their management team. And, for the students it is being perceived as a new opportunity for their future.

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Fire Authorities Consider Shared Management Teams

The evaluation will look at shared management teams and other models of joint working.

Northumberland and Cumberland Fire and Rescue Authorities are considering setting up shared services with a view to potential merger.

A study is to be led by Cumbria's Chief Fire Officer Dominic Harrison. The evaluation will look at possible models of shared arrangements including shared management teams, a combined fire authority separate from both councils and other models of joint working.

It is thought the combined service, which would be one of England's largest, would have one chief officer too.

Council Chief Executive Steve Stewart says the services have similarities in terms of operational performance, risk profiles, working practices, geographical alignment and cultural fit. The services are said to share "a significant border" with "good" road and rail links between the two counties.

More details of 'blue light' shared services are on page 25.

£100m Of Predicted Shared Service Savings

During 2010, SSA recorded 62 new local government partnerships, announcing predicted savings of £100m through shared service projects.

From the national Shared Service Architect's register of partnerships, 62 of the partnerships (60% of which were formed in 2010) announced that they were predicting savings of £100m across a range of individual service projects.

The largest prediction came from Kensington, Chelsea and Hammersmith Councils of savings between £50 and £60m per annum. The smallest was Torridge and Tenby Councils predicting £120k on a shared CEO.

The average size of the 62 partnerships was two organisations, with almost 75% sharing services, but retaining individual CEOs and management teams.

Supreme Court Overturns 2009 London Mutual Ruling

The decision sets out the conditions for a UK public-to-public shared service to meet the Teckal test requirement.

A key judgement, by Lord Hope and others in the Supreme Court (09/02/11), was made that *"the 2006 [EU procurement] regulations do not apply where a local authority, like Harrow, intends to enter into a contract of insurance with LAML [London Assurance Mutual Ltd][1]".*

This ruling has key implications for the development of collaborations between groups of sovereign public sector bodies, whose intention is to award contracts to each other within a shared service vehicle.

The decision sets out the conditions for a UK public-to-public shared service to meet the Teckal test requirement. For example it must be pre-constituted for the purpose, have no private sector investment, be co-owned, co-contolled and funded by the partners. In addition it cannot have a purpose to conduct commercial activity.

More details on the ruling are on page 31.

[1] Supreme Court Case 2011 UKSC 7 *on Appeal from [2009] EWCA Civ 490* para 93, p36

FE & HE Shared Services Hit by VAT Rise to 20%

Any efficiencies achieved would be required to generate a saving in excess of the current rate of VAT

Shared service activity in the FE and HE sector may be hit hard by the 20% VAT rise, according to a report from The Policy Exchange.

Released in December 2010 it suggests that the key obstacle to wider shared service usage in higher and further education relates to VAT liability. "Colleges and universities in the UK are designated as 'eligible bodies' under the VAT Act 1994, meaning that supplies made by these institutions are exempt from VAT. However, when they buy in services, whether from a private source or from another university, a new VAT liability is generated which cannot be recovered.

As a result, any efficiencies achieved would be required to generate a saving in excess of the current rate of VAT."

The 35 page report suggests that one possible way to overcome the VAT issue would be for the government to adopt a scheme similar to that of the "contracted out service provision" that is currently used in the NHS and other government departments. See page 17 for more details.

Patients 'Misled' Over Confidentiality of Shared Records

The online magazine, *ComputerWorldUK* reported, at the beginning of February, that patients are being "misled" over confidentiality of health e-records.

The claim arises from Oxford University researchers' examination of the risk to data privacy and confidentiality where patient records are being shared for patient research purposes across the NHS.

In a paper, "*The limits of anonymisation in NHS data systems*" published in the British Medical Journal (02/02/11), the authors report that patients are not being adequately informed about possible secondary uses of their medical data for research and are "misled about the level of anonymisation of their data and the likelihood of re-identification"

The research draws into perspective the rights of a patient to retain the confidentiality of their health data in an era of data collection and sharing, and what the paper calls the "increasing commercialisation of patient data".

The article reports that *"Some researchers argue that it is easier to find out what treatments and drugs work, or don't tend to work, if the identity of the patient is known; and that genuinely anonymous data, as well as informed consent, would jeopardise the integrity of research and audit, which would hinder the progress of medical knowledge and could lead to incorrect conclusions.*

The counter argument is that patients have a right to believe that their health records will remain confidential, and shared only with doctors and nurses who are treating them.

Indeed few patients are aware that their GP-held medical records are being uploaded to the Secondary Uses Service database which is run by NHS Connecting for Health under the National Programme for IT, Npfit."

The research raises questions for partnerships who are storing and sharing data on their residents, students, patients or customers, with an added intention to evaluate their behaviours for planning and service development. Do they have the permission of those they provide services to, to use the data for that purpose?

Manny Gatt explores the background and likely success of using mutuals as a vehicle for staff to run shared services for their employers' partnerships.

Shared Service Mutuals

Good news? Or just a guilt-free way of sacking your staff?

I was a bit startled by this throw away line from a colleague who is sceptical about the idea of employees leaving their public sector employer and setting up a co-operative to deliver the same service, for less money.

He views it as politicians 'sugaring the pill'. "After all," he said, "It's a good way to get all that redundancy money re-invested in the public sector as start-up funding."

What surprised me even more is that mutuals and cooperatives are already big business. There are almost 5,000 of them in the UK with a combined turnover of around £29bn a year, employing over 200,000 people[1]. And, 75% of the public regard co-operatives as businesses that act 'fairly', compared to only 18% that see companies at large as 'fair'[2].

So where did the mutual initiative come from?

In mid 2010, Cabinet Office minister Frances Maude announced that 12 'public service spin-offs' would pioneer the mutual initiative.

The ambition is that entrepreneurial public sector workers will join together, often across organisational boundaries and through shared services, to establish co-operatives or social enterprises.

Mr. Maude is quoted as saying, *'I know across the country there are literally thousands of frontline employees who can see how things can be done better, but at the moment, with the existing constraints, they just can't get it done...This is a Big Society approach, decentralising power so people can deal with the issues that concern them. We must not be afraid to do things differently if we are to provide better services for less money.'*

[1] Cooperatives UK (2009) *Cooperatives Review*
[2] Cooperatives UK (2011) *2010 Impact Report*

Among the 12 'pathfinders' are a social enterprise to be formed by NHS employees in Leicester, which will provide joined-up services for homeless people, and a shared service cooperative in Swindon that will bring together community health and adult social services.

All the pilots are supported by expert mentors, including staff from the John Lewis Partnership and consultancies KPMG and PricewaterhouseCoopers.

Give the work to mutuals, but don't tell the EU procurement police!

In November 2010, Local Partnerships, Co-operatives UK and the Employee Ownership Association came together in partnership to provide a signposting service for staff in the public sector interested in setting up a social or mutual enterprise. Their website is at www.mutuals.org.uk and you can call them on 020 7296 6705.

In addition Cabinet Office announced a fund of £10m 'to help the best fledgling mutuals reach investment readiness' and new provisions were announced giving 'Rights to Provide' (called 'Right to Request' in the NHS) across public services so that employers will be expected to accept suitable proposals from front line staff who want to take over and run their services as mutual organisations.

If you have been on our Highway Code of Shared Services seminar then you are probably asking the same question I did. Can you just hand a service to a mutual, wholly owned by the ex-employees, or do they have to tender like anyone else?

If you are asking that question, then TPP Law, who specialise in the development of public sector mutuals, agree with you. They believe that, *"A mutual seeking to contract with a local*

What is a mutual?

A mutual exists for the purpose of raising funds from a membership or customers, which can then be used to provide common services to the members. A mutual is therefore owned by, and run for the benefit of, its members. Profits are usually re-invested in the mutual for the benefit of the members, although some profit may also be necessary to sustain or grow the mutual, and to make sure it remains secure.

Examples of mutuals include building societies, friendly societies and mutual healthcare and insurance societies. NHS Foundation Trusts are also regarded as 'mutual' organisations according to the definitions supplied by Lewis et al (2006). The defining characteristics of mutuals are that they:

- Are established to serve a specific community or interest group
- Are owned by members
- Have democratic voting systems based on one member one vote
- Have governance structures that formally incorporate stakeholder interests with different stakeholders having an appropriate role in running the organisation proportional to their relevant stake

Source: Innovation Unit (2009) *The Engagement Ethic: The potential of co-operative and mutual governance for public services.* London: Innovation Unit Publications (p17)

authority as an outsourced supplier, service provider or works contractor will be treated in the same way as any other tenderer, and a mutual should expect award of a contract only if its bid is the most competitive bid. The [EU] Directives may also apply when a mutual body is being established with a view to providing services to a public authority.[1]"

So we will be keeping a close eye on that and update you with more details.

What do mutuals look like?

If you bank with the Nationwide, then you are part of a mutual. Then there are the Co-Op stores across the country. In public sector terms there are plenty of examples too.

The Young Foundation cites one in their *Innovation and Value* report. *"In South London, Lambeth [Council] has embraced the John Lewis retail model, an employee owned partnership where employees have a stake in the company's success. Lambeth proposes to adopt the model to "try to involve the users in providing [services] at lower costs". In practice this includes asset transfer and may see residents receiving council tax rebates in exchange for taking part.*[2]".

Whilst that may not be an inter-organisational shared service, there is possibly plenty in that vision to enthuse staff and residents to develop the service and share in its benefits.

Suffolk County Council are moving down a similar innovative shared service path in their *'New Strategic Direction'* approach to service delivery. *"Some services which are currently delivered by the council will be delivered outside of the organisation through social enterprises, charities, community organisations and the private sector. For example, a community could decide to take on the running of their local library, or staff from a service could decide they could run it more efficiently on their own. This will happen with help and guidance from the county council and we will still be responsible for ensuring quality standards are met.*[3]"

[1] TPP Law (2010) *Developing a Mutual for Local Authority Service Delivery.* London:tpplaw.co.uk p24

[2] Young Foundation (2010) *Innovation Value: New Tools for Local Government in tough times.* London: Young Foundation. p9

[3] Suffolk County Council (2010) *The New Strategic Direction Explained: Council services to be delivered differently in the future..* Ipswich: Suffolk County Council. p3

Prof. Denis Mongon also cites a study that suggests mutuals and co-operatives have outperformed FTSE All-Share Companies by an average of 10% per year.

They quote Central Surrey Health as an existing example. *"Central Surrey Health is a not-for-profit limited liability company, set up in 2006, and under contract to provide community nursing and therapy services on behalf of NHS Surrey and other partners, including Surrey County Council.*

It employs around 770 co-owners, including district nurses, school nurses, community hospital nurses, nursery nurses, physiotherapists, dieticians, speech therapists, and support and administration staff, all of whom previously delivered such services from within the local PCT. On transferring to the new company, all members of staff received a single share, and as co-owners are now collectively responsible for the delivery of services and shaping the company's future[1]."

TPP Law provide a number of in-depth case studies in their report that may help you understand a number of the mutual vehicle structures if you are new to this field[2].

Do mutuals perform better than the private sector?

Ed Mayo, Secretary General of Co-operatives UK, believes so. *"The core idea of forming public sector mutuals is that you can get better results by giving freedom and ownership to staff. Our analysis backs this up, but also suggests the need for a more co-operative culture right across public services.[3]".*

Prof. Denis Mongon also sites a study that suggests mutual/co-operatives have outperformed FTSE All-Share Companies by an average of 10% per year[4].

1 Suffolk County Council (2010) p5

2 TPP Law (2010) *Developing a Mutual for Local Authority Service Delivery.* London: www.tpplaw.co.uk p34

3 Mayo E (Feb 2011) speaking at the launch of the Mutuals Taskforce

4 Mongon D, Craig J, & Horne M. (2010) *The Engagement Ethic: The potential of cooperatives and mutual governance for public services.* London: Innovation Unit p24

So will the idea of shared services being delivered through mutuals work?

Technically it feels like there is no reason why they shouldn't work. They will be businesses, like any other business, in which the ownership rests with the members. John Lewis is held up as the success story of that style of structure.

In addition it is a key strategy of successful leaders to give empowerment, shared responsibility and a sense of ownership of outcomes to their staff.

So I don't agree with my cynical colleague, that this is a guilt-free way of sacking public sector staff. A mutual option is one that should be considered in the shared service vehicle mix.

So what are the downsides of delivering a shared service through a mutual?

If their creation is explored properly, using the experienced, expert advice on offer, and it is agreed by the potential staff owners that it is the right vehicle, then a mutual could be an exciting way forward for all those involved.

However let's not forget that the success of the shared service does not lie in choice of vehicle. That is only a legal and practical detail.

The success will only ever lie in excellent leadership and effective management. In business, that is all that counts.

So the staff really need to choose their leaders wisely, if they are not to lose their invested redundancy payments in their co-owned venture.

G-Cloud Is Given The OK By SOCITM

SOCITM (The Society of Information and Technology Managers) have moved fully behind G-Cloud computing in a briefing they released just after Christmas

Just before Christmas 2010, two clusters of councils announced their intention to join up ICT infrastructures to support their shared service ambitions.

Whilst the North West Eden and Lakeland Councils claim over £80k savings per annum, a new 7 year ICT partnership, proposed by South Holland and East Lindsay Councils, is projecting savings of £30m over 10 years.

No doubt, both will be influenced by the news that SOCITM (The Society of Information and Technology Managers) have moved fully behind G-Cloud computing in a briefing they released just after Christmas.

Where did G-cloud come from?

The first intimations of G-cloud appeared publicly in Chapter 8 of the Digital Britain Report[1], which revealed that 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 result is that clusters of public sector organisations could potentially reduce the requirement for substantial hardware and software investments to harmonise their systems.

Since then, there has been much debate about whether a government led "Cloud" could be secure enough. So it was a considerable step forward for G-Cloud when SOCITM announced in January that, *"Cloud computing is key to better, cheaper public services – public service providers should hold off outsourcing to reap full benefit"*

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

Here are key excerpts from the SOCITM press release:

Only ICT-enabled automation and increased efficiency can keep public services affordable says Heading Into The Cloud, the latest briefing from Socitm Insight, and only a move to the cloud can make such investment justifiable, it says.

This means that ICT strategies must be rewritten with cloud adoption as a central theme. Equally vital, says the briefing, is to avoid any moves that will delay or compromise this, so investing in a new or enhanced data centre would probably be ill-advised at present. Similarly, outsourcing the IT service now might mean that the benefits of moving to the cloud would be very much delayed - or be enjoyed more by the outsourcing supplier than by the customer.

With data/resource centres shared between multiple client organisations, whose users access it via the internet using browser interfaces, cloud computing means a credible and effective public service organisation can operate today without a single server to its name, or even a share in a data centre.

The briefing details the many benefits of cloud computing, including reduced cost and risk, flexibility, scalability, and resilience, but it also addresses one of the most commonly perceived objections to the cloud: data security.

It concludes that data security considerations should not stand in the way of cloud adoption, so long as public sector organisations become more focused on information assurance – something that applies wherever they hold their data.

Heading Into The Cloud is available to *Socitm Insight* subscribers and is free for them to download from www.socitm.net

Lon Jeal of Foresight Consulting provides a checklist of 10 key steps in building a shared ICT platform between partners who are joining up their services.

Put Your Shared ICT Platform In Place Before You Start Sharing Services

Foresight Consulting has provided shared service consultancy to a number of local authorities and one of our main areas of expertise is ICT Services.

In our work to date we have discovered the importance of putting in place a joined up ICT infrastructure to underpin the shared service, before they start.

In some authorities, where departments have attempted to merge their services without a shared ICT platform, issues have been experienced because the basic IT services on which they rely are absent.

These can be: two separate sets of applications and discrete data, no access to "home" services from alternate sites. In addition, different desktop interfaces (Operating Systems, Office Versions, Desktop policies etc.) can make it difficult to cross-train. It can also create authentication difficulties making access to "on the move" resources difficult, and sometimes impossible.

The outcome can lead to staff frustration and ultimately the shared service initiative may flounder and fail.

We have therefore found that the best model is for ICT to go first and be ahead of the game. Yes, there are some difficulties with this as there is no way of telling what the requirement will be for processing power, bandwidth or storage, for example, before the requirements of the departments are fully assessed and known.

But, it is better to provide 80% of the requirement when required and develop the other 20% during service take-up than trying to play catch up.

Short term investment will be needed to effectively join up two infrastructures and the Return on Investment (ROI) will only be realised once the organisation begins to use common applications and merge their departments.

At best, the investment in the infrastructure might break-even given that savings in disaster recovery agreements, multiple data centre provision and network connectivity are quickly realised. However, it is important that the organisations recognise that expenditure is required in the short term if significant return on investments (probably 3 to 5 years) are to be fully realised. These gains are the bigger picture that shared services offer and a well constructed business case is certainly required.

There is a requirement for two clear pieces of work relating to the investment:

- a detailed business case and,
- an initial infrastructure assessment to ensure ROI exists particularly in on-going (revenue) savings.

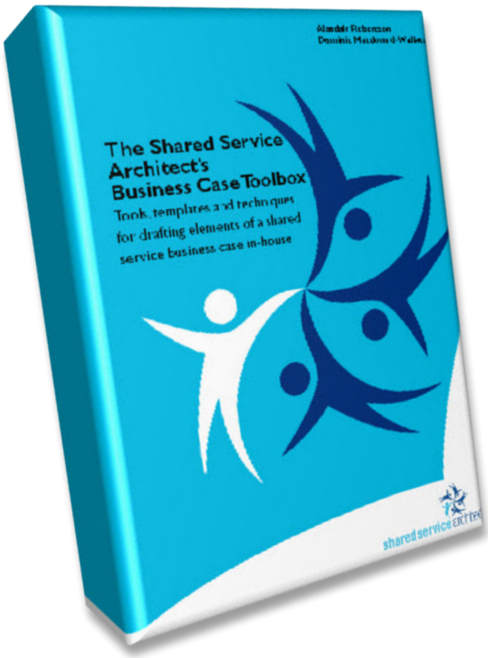
The table on the opposite page is designed to highlight the top 10 infrastructure issues that will need in-depth assessment and consideration if the shared service is to deliver early savings and operational efficiencies.

Further information is available at www.foresightconsulting.co.uk

What are the 10 key infrastructure issues?	What example questions should be on your checklist?
1. Connectivity Capacity *Too little bandwidth will limit what can be achieved by the shared service in the long-term.*	• What are our arrangements for future PSN connection? • What does the inter-site traffic model look like? • Where are the shared services going to be hosted? • Can G-Cloud support this collaboration?
2. Data Replication *Creating a Disaster Recovery (DR) model using alternate main offices, reducing cost, keeping the provision in-house.*	• Can existing Storage Area Networks be utilised? • What are the requirements of Data Replication? • What will the inter-site bandwidth support?
3. Domain & Authentication Services *Most shared service partners like to retain separate domain names for local identity reasons. However, the Active Directory design has to allow users to logon at any site, access shared resources such as printers and effectively share applications and workflow.*	• How will the Active Directories be joined up? • How will resource and administrative detail be centralised? • How will the information be used as the directory for the organisation?
4. Data Centre strategy *Server virtualisation enables the overall data centre footprint and power consumption to be dramatically reduced through sharing services.*	• What are the current strengths and weaknesses? • What are the user access and traffic models? • How will telecoms be provided in the long-term?
5. Disaster Recovery *A DR capability at alternate sites can save investment in external DR services and give full control to local management at the point when a recovery is required.*	• What are the requirements of the users? • Do we make sufficient use of server virtualisation? • Do we have a plan that will offer a recovery within the SLA we offer?
6. Internet Access Bandwidth The *provision by an ISP for Internet Access including external mail, browsing, remote access and web services.*	• Can a single Internet provider be shared? • Does the design have sufficient resilience? • Can all other peripheral services be streamlined?
7. Hosting Web Services *Treating the partners' web sites as a single entity reduces support and management costs. Common application for the web site and transactional services can also reduce the maintenance costs for these services.*	• What are the current strengths and weaknesses of web delivery? • What are the tangible benefits of bringing two externally hosted services in-house as one?
8. Desktop Services *Harmonising devices and software used by users within the organisation*	• Is the desktop being delivered in the most optimum way for shared services? • Is there a business case through reduced support, maintenance, power consumption, flexibility and the break/fix model for the introduction of a thin desktop?
9. Remote Access *With home working, hot desking and the 70/30 model being driven by cost reduction and flexible ways of working initiatives, the provision of an effective remote access method is critical to the shared service.*	• Can the design cope with increased mobile access and regular home-working? • Does the service look and feel the same from wherever accessed and whatever device is used?
10. Applications Sharing *It is generally considered that this is the area where the most significant cost savings can be made. By having a single application the cost of licensing, maintenance and internal support can be substantially reduced.*	• Which are the two organisations preferred applications? • Where are applications in their lifecycle and what platforms are they supported on? • Where can the most significant savings be made?

Could you save £thousands in external consultancy fees if you had the tools, techniques and templates to write large chunks of your shared service business cases in-house?

The Shared Service Architect's Business Case Toolbox seminar is now available at a council or college near you!



This new, one day seminar, and the accompanying 200 page book of almost 40 tools, templates and techniques, has been written to build the capacity of you, and your colleagues, to effectively draft as much of a shared service business case as possible, in-house.

£75,000 appears to be a rough guide to the fees paid to external consultants to draft a shared service business case. If ten services in your organisation are being considered for sharing with partners, that could mean up to £750,000 of external consultancy spend on business cases.

This seminar and toolbox (which are a foundation unit of the postgraduate certificate in shared services) equips public sector managers with effective tools, techniques and templates to delegate chunks of the drafting to colleagues and thereby considerably reducing the external consultancy spend. Just how much of that £75,000 could be consumed in-house will vary from organisation to organisation.

However the ambition of the seminar and toolbox is to help you shave up to £10,000 of consultancy payments off the cost of each shared service business case - a potential saving of £100,000 or more for organisations with 10 projects.

The seminar and tools and techniques will equip you with the skills and knowledge to move confidently along the shared business case route map

Email: Manny.Gatt@sharedservicearchitects.co.uk
to find out about the cost of the book and discounts for hosting a partnership seminar at your offices.

THE FIVE KEY STEPS OF THE SHARED BUSINESS CASE ROUTE MAP

Step 1 The Business Case introduction
- Cover Design Version Control Contents
- Maximising the Executive Overview

⇨

Step 2 Setting out the strategic context
- Restating the shared vision and options
- Setting out the consultation journey
- How ambitious is each partner?

⇨

Step 3 Developing the economic case
- Choosing what can be developed in-house
- Choosing what should be developed externally

⇨

Step 4 Evaluating the finance and risks
- Developing the financial case
- Setting out the implementation timeline
- Indicating and assessing the risks

⇨

Step 5 Establishing consensus and buy-in
- Supporting the decision making process
- Stakeholder communication

⇨ **Design**

Tool: 0.09

USING THE GATEWAY™ PROCESS AFTER EACH STEP IN YOUR BUSINESS CASE JOURNEY

This tool is taken from the 'Shared Service Architect's Business Case Toolbox'.

There are almost 40 similar tools, templates and techniques in the book, plus descriptions of 16 core techniques for developing the economic case.

Tool 0.09, from the SSA Shared Business Case Toolbox, draws on the Office of Government Commerce Gateway™ Process principles to repeatedly test if the shared business case is worth keeping alive during its development.

A gateway review examines programmes and projects at key decision points in their lifecycle and looks ahead to provide assurance that they can progress successfully to the next stage[1].

Don't be jilted at the altar...

No business case should ever be rejected when published in its final version. Either everyone has anointed the final version's release, or the business case should be culled early in its development.

This means that there are times when it is important that everyone in a shared service agrees that what once felt like a good project, has lost its attractiveness. As the business case digs up more and more information and data, it can reveal culturally or scientifically that the shared service 'ain't gonna work'.

But, sometimes nothing is said by the partners and the business case trundles on regardless. Exploring it through metaphor, it is like the bride or groom not having the courage to tell each other that the marriage no longer makes sense, only revealing their true feelings in the final moments 'at the altar'.

The purpose of a Gateway™ Process is to offer regular opportunities for the partners to agree, during the business case development, that there either is, or isn't, good reason to take a next step on their shared journey. It delivers a 'peer review' to examine the progress and likelihood of successful delivery of the programme or project.

The process uses a series of interviews, documentation reviews and the teams' experience to provide valuable additional perspective on the issues facing the project team, and an external challenge to the robustness of plans and processes[2].

The most beneficial part of the review process is that 'peers' are used to analyse and inform the partners about whether a next step should be taken. This objective input makes it easier for the partners to agree to fold a project.

Therefore Tool 0.09 is recommending that before you start on your journey with the partners, you suggest to them:

- That they agree a checklist of questions to be used to test the continuity of the shared service business case in regular reviews
- That they agree the stages at which the reviews are to take place
- That they form an independent peer review team to act as the judges of the viability of the business case to go forward at each stage

What are the stages for the review?

There are two valuable documents we would recommend for use in developing your gateway reviews.

Firstly there is *"Review 0: Strategic Assessment[3]"* a 30 page guide to setting up the reviews, from OGC.

[1] OGC Gateway™ Process (2007) p3. OGC Gateway Reviews are applicable to a wide range of programmes and projects including:
* policy development and implementation
* organisational change and other change initiatives
* acquisition programmes and projects
* property/construction developments
* IT enabled business change
* procurements using or establishing framework arrangements

The process is mandatory in central civil government.

[2] OGC website (2009)

[3] OGC (2007) Review 0: Strategic Assessment - can be downloaded from the OGC website

It may take some thought as to who the external reviewers will be and maybe you could ask other shared service architects in your locality for suggestions on independent practitioners.

The guidance[1] provides the following suggestions on when to conduct a review[2]:

- *at scheduled milestones, such as the completion of a set of projects in the programme portfolio*
- *when there is a significant change to the desired outcomes*
- *when the way that outcomes are delivered must change (perhaps as a result of government changes), or*
- *when it becomes apparent that the programme will not provide the necessary outcomes and needs to be reshaped*
- *when the programme's sponsors have concerns about the programme's effectiveness*
- *when there is a change in Senior Responsible Owner for the programme*
- *to learn lessons to transfer to other programmes when a substantial amount of successful delivery has taken place.*

The second document from OGC is *"A Manager's Checklist[3]"* which offers a set of five checklists for reviewing projects and programmes. We would recommend *"Review One"[4]* as a good checklist to inspire your review activity.

Both are very good documents, but they may lead you into the temptations of "deliverology[5]" if you were to follow everything they recommend.

Who is in the peer review group?

OGC suggest who should be in the group too. It definitely shouldn't be friends and family and they must have appropriate practitioner skills to make the best judgements:

"OGC Gateway Reviews deliver a 'peer review', in which independent practitioners from outside the programme/project use their experience and expertise to examine the progress and likelihood of successful delivery of the programme or project. They are used to provide a valuable additional perspective on the issues facing the internal team, and an external challenge to the robustness of plans and processes.[6]"

It may take some thought as to who the external reviewers will be and maybe you could ask other shared service architects in your locality for suggestions on independent practitioners.

Into the dragon's den...

You will need some "house rules" for the review meetings. Here are some ideas that may stimulate your thoughts on how, as the shared service architect, you would organise them.

- Prior to the meeting, everyone attending should have read the latest version of the shared service business case together with key background materials[7].
- There should be no rank or seniority in the meeting.
- Ideas and criticisms are discussed on their merit only.
- No question should be considered too stupid or too difficult.
- The peer reviewers should be encouraged to pose questions outside their area of expertise.
- All assumptions should be articulated, tested, challenged and remedied.
- Any "suggested next steps" should be extensively tested. There must be time to test the concepts as well as the details on which the next steps are based.
- The meeting is not completed until all aspects have been tested, challenged and resolved, even if this means extending the meeting or reconvening it later.
- A consensus must be reached.
- At the end of the meeting all those who attended should own the final outcome.

A final word, is that review meetings can be bruising for the business case team.

It could be helpful if, prior to the meeting you explained to them that the review process is not about them, it's about the continuity of the shared business case. Also, after the meeting you may like to spend time with the team unpacking the outcomes, if some of them erroneously took criticisms to heart.

[1] See page 9 "Tailoring the OGC Review 0"
[2] OGC (2007) Review 0: Strategic Assessment. p10.
[3]OGC (2007) A Manager's Checklist - can be downloaded from www.ogc.gov.uk
[4] For some reason the Manager's Checklist has no numbering on the pages
[5] Seddon, J. (2008). Prof. Seddon suggests that sometimes the delivery of the project process becomes more important than the delivery of the outcomes and benefits.
[6] OGC (2007) *Review 0: Strategic Assessment*. p3.
[7] If necessary allot the first hour of the meeting as a reading period.

Tool: 0.09

Recommended steps in applying Gateway™ Process reviews to the development of your shared service business case

1. Gain agreement across your partners, at which points on the journey, reviews of the shared service business case should take place.
2. Schedule the review meetings into your timeline in Tool 0.04.
3. Agree with the partners a list of questions that can be used to test the shared service business case at the review stages.
4. Recruit independent practitioners from outside the project and get the meeting dates in their diaries.
5. Agree the "house rules" for the review meetings.
6. Conduct the meeting under the agreed "house rules", applying the agreed list of questions to the shared service business case.
7. Gain total agreement across the peers as to whether the business case should go to the next stage (with recommended alterations) or if the data and information is revealing an unviable project.
8. Report the outcomes to the steering group, board or appropriate governance group leading the shared service business case development, with a request to either proceed to the next step - or abandonment.
9. Repeat this process at the end of the next stage of your shared business case development.

SHARING THE RARE EXPERTS

This 'shared service technique' is one of 16, explained in the Shared Service Architect's Business Case Toolbox.

When would you use this technique?

This can be an ideal place to begin a shared service journey.

Focus on areas of high duplication, desk work and skills shortages.

Opportunistic approaches are likely to be most successful.

How can this technique develop a different, better and lower cost service?

Frequently, the 'obvious target' for shared services are the big transactional areas. But the reality of many public sector bodies is that there are pockets of isolated, individual experts who could be shared. Examples include Conservation Officers, Dangerous Structure Engineers, Traveller Liaison Officers, Business Support Managers. An estimated 20-40% of staff in smaller organisations can be isolated experts.

The likelihood is that none of the partners needs exactly one of these posts all the time. Hence most are either overworked, or used in areas outside their core interest and skills to fill their schedules.

Starting off a shared service programme by sharing these individuals can be quick, low 'pain', and allows staff to do what they do best more of the time.

It can therefore be highly efficient and build up a resilient core of experts across the partnership whilst reducing costs.

What does this technique involve?

A good starting point is to audit the establishment lists (sometimes called an organogram) looking for posts with individual specialists. Then consult with line managers and HR to understand roles and tasks.

If this produces a list that is too long to work with, you should prioritise based on time allocated to policy development, on-site work or other factors. Duplication is an attractive area (e.g. writing policy or technical documents that only need 'tweaking' to suit several partners with the bulk remaining common).

The change in this style of joint working will require a 'whole organisation' approach to building capacity, rather than service by service, so that centres of expertise can be in balance across the partnership.

Managers will often be supportive since the technique builds resilience. The difficult part is likely to be agreeing how costs will be charged between partners. This part involves working with finance or external support.

This technique could also involve in-sourcing of expert advice.

How easily can an in-house business case team use this technique?

This is one of the simplest methods to undertake in-house.

There will have to be a debate at a senior level to agree on cross charging arrangements.

How Can Shared Services Support HE in The Age of Austerity?

Up to 30% of the total cost could be saved if more services were shared. Across the entire HE sector, that would mean total savings of £2.7 billion.

Universities could reduce potential student debt, or protect teaching and research, by being more imaginative about how they are run, a Jan 2011 report from Policy Exchange claims.

The report suggests that there are big savings to be had from universities sharing services like finance, human resources or student records.

Up to 30% of the total cost could be saved if more services were shared. Across the entire HE sector, that would mean total savings of £2.7 billion.

The long road to shared services...

But the Joint Information and Systems Committee (JISC) found that only 26% of HE institutions reported themselves to have any shared services at all, and fewer than 50% of HE managers would "readily consider" shared services in any area of administrative operations.

The report's author, Alex Massey, says university administrators have not been imaginative enough – or adopted the best ideas in the sector. For example, UCL saved £250,000 a year by using Microsoft's free email service. Google also offers its email service free to universities.

In addition the report cites successes like "Manchester Student Homes" – a joint venture between Manchester and Manchester Metropolitan universities which provides information and support through a single office, hugely reducing administration costs.

Massey is critical of the sector, *"Too many universities operate in an outdated way. They've failed to recognise the savings and service improvements that could be obtained through engagement with commercial partners and the use of shared services.*

Too many university managers continue to regard the private sector with suspicion, rather than recognising the benefits that can accrue from productive collaborative arrangements.

With students facing higher levels of debt, it really is time for universities to start taking efficiency and value-for-money seriously. Outsourcing and shared service arrangements would be a very good way to reduce costs and improve service quality."

The report list the following focus activities:

- accommodation,
- IT systems,
- catering,
- administration and other non-core services

as suitable starting points for collaboration between institutions.

The report concludes that in a more competitive and market-oriented system with tuition fees reaching £9,000, students will rightly have higher expectations of their universities.

Outsourcing and shared services will improve the quality of non-core services while freeing funds to be focused on the delivery of a university's core functions of teaching and research.

Other key recommendations in the report include freeing universities from having to pay VAT on outsourced or shared services by giving them a similar exemption to that enjoyed by the NHS.

The report is available from Policy Exchange at www.policyexchange.org.uk

SSA Tutor Alasdair Robertson, director of i-three ltd, examines the maths behind the predictions of economies of scale that shared services should provide

Why The Maths Keeps Saying 'Up to 4' is The Best Partnership Size...

In the last issue we looked at the optimum number of partners for a shared service and the maths shows exactly why things start to get tricky when more than 4 partners are playing together. Put simply, more partners, means more probability that one or more pairs will fall out.

I want to look in this article at the maths behind the predictions of economies of scale that shared services should provide. We all know this should happen, and indeed economies of scale are usually explicit in the business case. Common examples might include shared management costs, shared ICT costs and a myriad of other opportunities.

The question is, how can we predict those economies of scale and the most effective numbers of partners to make it happen?

The answer is to apply Operational Research[1] which clearly shows that efficiency will result, simply because of the larger pools of work.

Get in the queue ...

In simple terms if you need work done within time targets, you need some slack in the system. This happens because customers don't send work in at nice regular intervals.

Sometimes you get a lot of demand and sometimes less. Sometimes a transaction is a little more complex than normal and takes a bit longer to process.

These random variations matter and quickly lead to peaks and troughs in both demand and output levels. As a result the size of the queue varies and performance varies with it.

We are all familiar with peaks in demand and we often get behind when they occur. During troughs we can catch up a bit, but only so much. You can't do work that hasn't arrived yet so you can never get ahead of demand, but you can get behind.

To get round this, queues need contingency to allow for the peaks to be manageable. In any service where transactions are processed from a work queue, some staff will not be fully employed to 100% capacity, for 100% of the time.

It doesn't matter if these are data processors, phone handling staff, planning officers or anyone else. The question is how much contingency are you prepared to add to your resources to cope with peaks, accepting that they will be under-used during troughs?

The trade-off is always between cost on one hand and performance levels on the other. In a shared service, teams are larger (by merging them into a single shared team) and the total workload of the team increases.

Well it just so happens that as teams get larger, the amount of *contingency* you need increases *more slowly* than the workload. Effectively you can pool some of the contingency. The result is that the same work output and the same performance can be achieved by a smaller team!

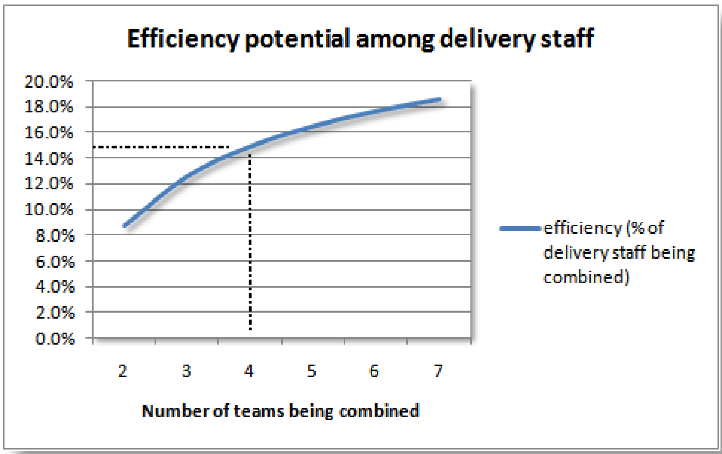
Do the maths...

Intuitively this makes sense. In a very small team of 3 people you might need some spare capacity to allow for one member of staff to be on leave or to take a break without the service falling over, i.e. you could cope with 1/3 less resource, if only for a short period.

This means, that at times when no leave is being taken, you may have 1/3 more capacity than required. Not very efficient.

If the workload doubled, the spare capacity needed would not double. For example you

[1] Operational Research (O.R.), also known as Operations Research or Management Science (OR/MS) is the discipline of applying advanced analytical methods to help make better decisions. To learn more about O.R. visit www.LearnAboutOR.co.uk .



With more partners the gains start to tail off... Have we started to identify just from the maths, that the size of the ideal shared service as being around 3, or 4 again, in certain circumstances?

could roster holidays so that you still only had one person off at any one time. So now when they are on leave, you are coping with 1/6 less resource. Clearly this is a tighter run ship.

The exact amount of the benefit of sharing depends on various numbers. Luckily these can usually be easily obtained. As an example the efficiency of sharing is shown in the graph above, for a real partnership, using data we gathered for a business case.

We devised a formula which showed when two partners came together the data evidenced that there was a 9% sharing efficiency.

The formula went on to illustrate that if three entered the arrangement the efficiency was increased to 12%, and with a fourth partner it increased to 15%.

What we did not expect to see was that this particular set of data predicted negligible additional gains if we added in any more than four partners. Predicted efficiency tailed off.

What does all this tell us about shared services?

Maybe it suggests that to some extent there is remarkably little relationship between size and cost when it comes to economies of scale.

It's clear that a law of diminishing returns applies as partnerships grow. In some circumstances, efficiency potential could actually reduce due to the additional complexity of managing when there are more stakeholders to satisfy.

The learning is that the efficiency of shared teams should be quantified in the full business case[1]. Simple data collection and some quick modelling work can easily measure gains that will naturally occur. This will add a compelling and provable dimension to your business case.

It will extract the maximum potential while clearly showing the links between resources and performance.

Finally though, anything up to 4 partners and the natural efficiency gain from contingency sharing is a significant part of the business case. However, with more partners the gains start to tail off.

Interestingly the number 4 is about the same number of partners as our previous article showed was the maximum realistic partnership size in terms of sustaining trust and strong relationships.

Have we started to identify just from the maths the size of the ideal shared service as being around 3, or 4 in certain circumstances?

[1] The 'full business case' is defined by CIPFA as, "... *providing enough detail to support an informed decision...*" CIPFA (2010) *Sharing The Gain*. CIPFA publications

"If we don't innovate in the public sector
we are in serious trouble.

We are not going to get out of this
recession with a few efficiency savings
or, as someone put it,
a hair cut here and there
for public services.

We are going to have to look
at fundamentally different
ways of delivering services"

Lord Michael Bichard
Director of the Institute for Government
and Chair of the Design Council

The Shared Service Architect's Innovation Toolbox

20 tools, templates and techniques for leading shared service innovation teams to success.

The book and the supporting seminar that will change the way we do shared services.
For more details email:

Manny.Gatt@sharedservicearchitects.co.uk

Your Next Set of Key Skills:

Leading innovation teams to develop different, lower cost, shared services

In his new book, The Shared Service Architect's Innovation Toolbox, Victor Newman, visiting professor in Innovation at Greenwich University, provides twenty tools for leading shared service innovation teams.

In this exert from the introduction, he sets the context of the public sector innovation journey over the last 10 years and why you should develop shared service innovation team leadership skills.

If you read the UK government Spending Review 2010 Report[1], there is now a compelling and urgent case for senior managers in the public sector to be equipped with skills for leading innovation in collaborations and shared service activities.

The word "innovation" appears over 30 times[2] in the document. For example, the coalition is *"thinking innovatively about the role of government in society[3]", "reforming the Higher Education Innovation Fund[4]"* and "*...new and innovative ideas are required to address these challenges, and these ideas are most likely to come from service users, community groups and employees.[5]"*

This builds on the comments of Lord Michael Bichard earlier in the year:

"If we don't innovate [in the public sector] we are in serious trouble. We are not going to get out of this recession with a few efficiency savings or, as someone put it, a hair cut here and there for public services. We are going to have to look at fundamentally different ways of delivering services[6]"

Without doubt this is the heart of the new government's agenda too and is summarised by the statement from the LGA that, *"To tackle the difficult decisions that lie ahead, the Government has committed to consulting widely while challenging departments, local government and other service providers to think innovatively about public service delivery and the role of government.[7]"*

The question is how will this be achieved. Will all future decision making in the public sector be preceded by some form of innovation aerobics?

[1] It can be downloaded at http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf
[2] In the March 2009, Labour Government Operational Efficiency Programme the word 'innovation' occurred over 90 times including a call to *"...create the environment where collaboration and innovation on the frontline can flourish".*
[3] HMT (2010) CSR 2010 Report. p19
[4] HMT (2010) CSR 2010 Report. p24
[5] HMT (2010) CSR 2010 Report. p33
[6] Maddock, S. & Robinson, B. (2010) p19
[7] www.lga.gov.uk 12-08-2010

That would be an innovation in itself.

Imagine if enough senior managers were skilled and confident in leading innovation activity across groups of colleagues and citizens. The impact could radically, and rapidly, deliver a public sector fit for the next ten year.

That is the purpose of this new text book on leading innovation teams in shared services. To bring 20 highly effective, group innovation tools, techniques and templates to the fingertips of busy senior managers in the public sector, and to give them the confidence to apply them with colleagues and service users.

Passengers may like to know that the public sector innovation train is just leaving the station...

Sir Michael Bichard[8] published his Operational Efficiency Final Report[9] a few days before the March 2009 Budget.

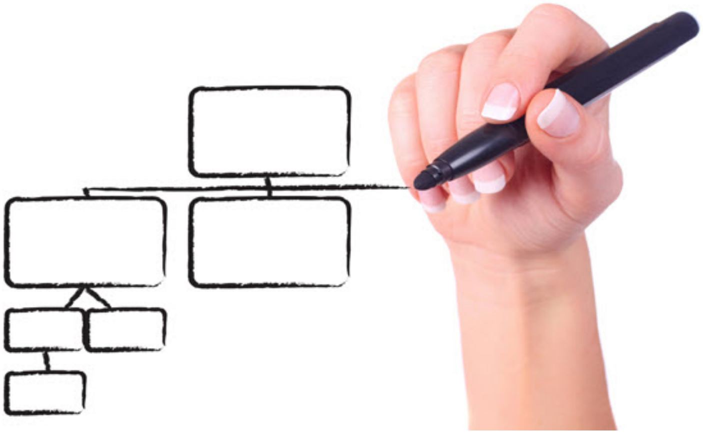
The word "innovation" occurs over 90 times throughout the document including a call to *"...create the environment where collaboration and innovation on the frontline can flourish".*

To add to the momentum, within days NESTA, IDeA and the Beacon Scheme published a joint paper under the title: *More than good ideas: the power of innovation in local government[10].*

It draws together a number of essays on innovation activities in local government under an umbrella proposal that *"despite the depressing state of the economy, members and officers are ready and eager to respond to what can only be described as a daunting set of challenges.[11]"*

Then, close on the heals of both of those papers, Dr. Su Maddock, who worked for the

[8] Sir Michael Bichard became a Lord in Feb 2010
[9] *HM Treasury (2009) The Operational Efficiency Programme Final Report*
[10] IDEA (2009)
[11] p13



At its heart is the suggestion that whilst there is plenty of literature on innovation and transformational leadership there is very little on leading innovation "...in spite of the fact that leadership is the key to creating the conditions for innovation".

Whitehall Innovation Hub published a report on leadership in innovation in which she recommends that it is *"...worth unpacking what leaders have to do to nurture innovation and the role of government in that process.[1]"*

At its heart is the suggestion that whilst there is plenty of literature on innovation and transformational leadership there is very little on leading innovation *"...in spite of the fact that leadership is the key to creating the conditions for innovation".*

This cluster of papers fed a frenzy of urgent conferences and workshops to unpack their findings and air their recommendations.

So, by late 2009 there was no shortage of momentum around the concept that local government needs to innovate. Nor, was there a shortage of innovation case studies[2].

Then came Total Place...

By late 2009, Total Place[3] had been rolled out as a pilot scheme, across 13 localities. Counting and mapping of all the public sector money spent in an area, was undertaken with the ambition of reducing duplication, identifying possible efficiency gains and improving the experiences of service users.

The clear message from the published data is that there is an opportunity for a range of local and central government organisations to pool budgets and look at doing things more effectively in innovative and collaborative ways.

This is developed in a Feb 2010 paper from Su Maddock and colleagues, *"Place Based Innovation[4]".*

In the introduction they tell us that, *"The key audience for this paper is the staff member in a Whitehall Policy Division, and our purpose is to open their eyes to the promise offered by place-based innovation."*

Freeing the public sector from the chains of past behaviours

SR2010 and its cuts, could be that catalyst that will give permission for the public sector to let go of these past risk-averse behaviours and get down to some high impact innovation?

In 2007, the Audit Commission painted a bleak future for local government if it carried on as it is. *"Many authorities, like their counterparts in the private sector, have found that incremental approaches to improvement – doing the same thing, but a bit better – are now yielding smaller gains in performance and efficiency than they have in the past. These improvement approaches are unlikely to be able to deliver against rising expectations. Rather than doing the same thing better, authorities will have to do things differently.[5]"*

This is echoed by the focus of the London public sector on innovating through collaboration, with the key driver being the fall in income through the credit crunch and SR2010 which, *"...has radically changed the*

[1] *Change you can believe in—The Leadership of Innovation (2009)* The report is badged by both the Whitehall Innovation Hub and the National School of Government. The quotes are from page 3.

[2] A mute point as some examples were not really innovation, just improvement. But we come to semantics and definitions a bit later in this introduction.

[3] Now renamed "local budgeting" (Oct 2010)

[4] Maddock, S. O'Hara, G. And Robinson, B (2010) *Place Based Innovation.* The report can be downloaded from www.nationalschool.gov.uk/innovationhub

[5] Audit Commission (2007) *Seeing the Light* p9.

Public spending is set to fall dramatically over the next few years. Efficiency and innovation become critical drivers for behaviour change.

context in which London's public sector organisations will need to achieve their ambitious social goals. Public spending is set to fall dramatically over the next few years. Efficiency and innovation become critical drivers for behaviour change.[1] "

So the tsunami of the credit crunch and SR2010 is heading towards the public sector in a way it hasn't experienced since the Thatcher government of the 1980s.

I forgot to ask, what is innovation?

Your life is probably too short to read all the literature and definitions produced on the subject, so maybe we should just look for a definition of innovation, through a public sector lens.

The Audit Commission take a broad brush approach suggesting we could recognise innovation as, "*...the process by which organisations develop new products, services or ways of doing things.*[2]"

In 2007 the Design Council assessed innovation in the public services against a set of current initiatives and collaborations to transform public services[3]:

- Capability building and assessment (Departmental Capability Reviews, Comprehensive Performance Assessments, National School of Government, public sector academies)
- Procurement and efficiency (efficiency programme, shared services)
- Focus on outcomes of public services (PSA targets, introducing contestability into service provision)
- Service transformation (electronic interface with citizens)
- Sustainability (E.G. "Green Whitehall", published reports on performance)
- Well-being (public services as employers)

The Audit Commission also suggested that the principal risk in innovating lies not in generating or identifying new ideas, but in implementing them. "*Both the decision to move forward to implementation or not, and the management of risk in implementation, are therefore critical. Authorities with a culture of proportionate risk taking, which does not stifle the experimentation that is inherent in innovation and with the necessary skills and commitment for the effective management of risk, will be in a strong position to deliver innovative projects.*[4]"

What keeps you awake at night?

What are the wicked problems that are keeping you awake at night about your role as a leader or manager?

Maybe it's: *How can you do more with less?* Or, *How can you collaborate within the constraints of public sector law, rules and culture but innovate at the same time?*

And, more dauntingly: *If you are to do things differently, what does 'differently' look like?*

[1] Capital Ambition (2009) *Guide to Behaviour Change* p7.
[2] Audit Commission (2007) p13
[3] Design Council (2007)

[4] Audit Commission (2007) p14

This is putting pressure on a large number of leaders and senior managers, who do not feel they are personally innovative. They feel there are now two camps. Those who can innovate, and those who cannot.

Maybe you have a 'wicked problem'!

Writing in the Public Sector Innovation Journal, Richard Beinecke, Associate Professor of Public and Health Administration, has researched the issues around Leadership for Wicked Problems[1].

His conclusion is that Wicked Problems require a collaborative style of leadership which *"inspires commitment to action, leads as a peer problem solver, builds broad based involvement and sustains hope and participation.[2]"*

Innovation is a verb!

I am troubled by the casual ambiguity with which the word "innovation" now regularly appears in documents on public sector shared services.

This is putting pressure on a large number of leaders and senior managers, who do not feel they are personally innovative. They feel there are now two camps. Those who can innovate, and those who cannot.

This textbook illustrates that this is a false premise. Lord Peter Mandelson, addressing an October 2009 innovation conference, told the audience, *"We certainly need to get past the idea that innovation comes chiefly from some cappuccino–drinking creative class in our societies — it has to be something that we all have a claim to.[3]"*

And he is right. Just as you can learn to drive, speak a foreign language or play a musical instrument, you can learn to innovate and lead/facilitate groups of citizens, colleagues, senior leaders and politicians to innovate too.

The purpose of the Shared Service Architect's Innovation Toolbox is to equip you with quick to learn, and quick to apply, innovation tools, techniques and templates to help you in your public sector collaboration work.

You are probably already using some innovation skills in your every day life, as well as in your work, to find new ways of personally coping in a constantly changing world. This book begins to formalise their work context and add to your repertoire.

Through this toolbox you will be equipped with ways in which you can move your shared service work groups into the "innovation zone" and keep them there.

You will be able to unlock their innovation skills and help them focus on the challenge of overcoming the difficulties that *"will argue for themselves"*.

But the biggest prize, and your personal one, is that in applying these tools and techniques to facilitate these collaborative groups, you will be developing the key leadership innovation skills that will turbo-charge your CV, for your success in the 21st century public sector.

[1] Beinecke, R. (2009)

[2] Richard Beinecke cites Chrislip and Larson's book Collaborative Leadership (1994) as a primary source of inspiration for these skills.

[3] Lord Mandelson, P (2009) addressing the Innovate09 for Growth Conference

For more information on the Shared Service Architect's Innovation Toolbox and the supporting seminar, please email:

Manny.Gatt@sharedservicearchitects.co.uk

Accelerating The 'Blue Light' Shared Services Journey

Radical plans to create a 'single blue light' service, merging police, fire and ambulance crews, have been revealed by a Scottish local authority as it grapples with a looming budget deficit.

The 'blue light' services have occasionally earned themselves a reputation for avoiding sharing or merging services between their own groupings. For example the recent failure of shared regional fire contact centres and the sluggish progress of police shared services.

However, in the last few months there has been a clear acceleration of pace in shared service activity as budgets begin to bite and councillors seek areas for efficiency gains to meet the budget cuts.

Starting in September 2010...

In September 2010, the NewScotsman led with a news story that "Radical plans to create a 'single blue light' service, merging police, fire and ambulance crews, have been revealed by a Scottish local authority as it grapples with a looming budget deficit. Highland Council has proposed creating one emergency service to serve the north of Scotland, sharing budgets, buildings and backroom staff."

There are also early, initial discussions on including paramedics, however that would need the agreement of Scottish Ambulance Service.

Then October...

In October 2010, Bob Neill, the Minister for Fire and Rescue set out a number of areas where services could find savings, including:

- flexible staffing arrangements
- improved sickness management
- pay restraint and recruitment freezes
- shared services/back office functions
- improved procurement
- sharing chief fire officers and other senior staff
- voluntary amalgamations.

In suggesting these as starting areas, the minister pointed to steps the government had taken to give authorities more flexibility, in particular allowing them to work on a collaborative basis in a way that works best locally.

December 2010...

The publication of the *Fire & Rescue Service (Delivery Models) Report*, led by workstream chair Cllr David Milsted of Dorset Fire Rescue Authority, stepped up the potential for collaborative activity with this radical statement[1]:

"*A merger of the Fire and Rescue Service and the Emergency Ambulance Service has been considered in the past but never implemented beyond an ad hoc local level: in some FRAs, for example, there is a degree of co-responding on a cost recovery basis; while in others some fire stations also serve as*

1 CLG (2010) *Fire & Rescue Service (Delivery Models) Report*. p6

Then, in seemingly some form of domino effect, at the beginning of January it was announced that control room staff for all Northamptonshire's three emergency services could be housed in one building....

ambulance stations. Our recommendation is to enable full integration to be made, subject to local choice, to provide a seamless and efficient

"Community Risk Reduction and Response Services using shared facilities".

This was followed at the end of December by the announcement that fire services in Northumberland could be merged with Cumbria, giving rise to a single brigade covering the north of England.

The retirement of Northumberland's chief fire officer had created the vacuum opportunity to investigate joint working, starting with joint chiefs and shared management teams.

However, in a report in the Northumberland Gazette[1], Councillor Gordon Castle illustrated the political and 'non-efficiency' barriers that frequently stall or stop shared service discussions. He told the Gazette:

"The whole question arises whether we are being economically forced into mergers of this kind, which ultimately leaves us with something like regional government – something we overwhelmingly voted against. "We have always engaged in joint working and shared working, but I'm worried about the consequences of mergers because of this reason. We have to be vigilant that this is not the first step to regional government by the back door."

January 2011...

Then, in a seemingly domino effect, it was announced that control room staff for all Northamptonshire's three emergency services could be housed in one building under new plans.

The current situation is that Northamptonshire Fire and Rescue Service and Northamptonshire Police have separate control rooms for co-ordinating 999 calls in Northampton, while East Midlands Ambulance Service directs paramedics from its base in Nottingham.

However, County Councillor Andre Gonzalez de Savage has been leading talks with the Home Office for control staff to take calls for all 999 services from one location in the county.

He told the Northampton Chronicle and Echo[2], *"What we're looking at is a shared blue light control room. We would be protecting our community better rather than having a disparate fire, health and police response."*

Sharing outside the family too...

As the pace quickens there is evidence that some innovative sharing may take place through the London Fire Brigade.

It is reported that they are investigating the potential to offer payroll services to the Greater London Authority, the body that funds the London Fire Brigade. In another collaboration, the brigade is shortly to move into a shared data-centre facility provided by Transport For London, rather than each retaining their own arrangement.

So, the final structure of these services may also radically self reform too, as a result of the pressures placed on them by budget restrictions and the need to innovate new ways of working.

For shared service architects, the 'blue light' services could provide an attractive source of learning and work in the coming years.

However, that shouldn't be too hard. Finding new innovative ways of working is probably one of the hallmarks of the 'blue light' organisations in their approach to providing services to those who need them in emergency situations.

[1] Reported on 4/01/11

[2] Reported on 04/01/11

Universal Credit: Welfare That Works

Local authority staff briefing

In November 2010, the Housing Strategy Division of DWP wrote to all Benefit Managers explaining the background to the new Universal credit. Attached to the letter was the briefing note on the following pages.

This will impact on decision making in Revenues and Benefits shared service projects. We have published the note in full here, for the benefit of shared service architects who may be asked to work in this service area.

This is the briefing note in full:

What is Universal Credit?

Following a public consultation, 21st Century Welfare, about ideas for improving the working age benefit system, the Secretary of State for Work and Pensions announced on 5 October that the Government will introduce Universal Credit, which will incorporate out-of-work benefits, in-work support and appropriate amounts for housing, disability and families for people of working age. Universal Credit will be assessed on a household basis and ensure that anyone starting work will be better off than they would have been on benefits.

The White Paper *Universal Credit: Welfare that Works*, published on 11 November, describes the Universal Credit reforms in more detail.

Why do benefits need reforming?

It is widely accepted that the current system is too complex and can trap people into benefit dependency. The government believes working age benefits should provide a safety net that prevents people suffering hardship during periods when they are unable to work, and helps them back into employment as soon as possible.

Many customers, staff, and outside organisations have long advocated a more straightforward system that cuts out unnecessary forms, and eliminates much of the need for customers to provide information which is often duplicated. These views were reflected in the response to the 21st Century Welfare consultation.

When will the changes happen?

Detailed implementation plans are being developed, but we hope that the first new claims to Universal Credit will begin from 2013. It will then take up to four years to complete the transition to the new system. The Government plans to introduce a Welfare Reform Bill to Parliament in January 2011 to pass the necessary legislation, and this will give more detail on timings.

Which benefits will be included in these changes?

Universal Credit will provide a basic allowance with additional elements for children, disability, housing and caring. It will replace Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance and income-related Employment and Support Allowance.

What does this mean for Housing Benefit customers?

Over time, support for housing costs will move from the current Housing Benefit system to Universal Credit. But this process will not start until 2013 and may take up to four years to complete. The important thing to remember, though, is that no customers need do anything at the moment and we will set out how we will manage the transition nearer the time.

How will housing support amounts be set?

An appropriate amount will be added to the Universal Credit award to help meet the cost of rent and mortgage interest. For those who rent their accommodation, this amount will be similar to the support currently provided through Housing Benefit.

What about social sector tenants?

For social-rented sector tenants the housing component will build on the support provided by the current Housing Benefit system. It will be based on actual rents in both housing association and local authority properties, including in the new 'affordable rent' tenure.

We have already announced our intention to limit Housing Benefit payments to social-rented-sector tenants who under-occupy their

The key message is that Revenues and Benefits Shared Services may have to focus on maximising the savings they can make over the next three years to four years only, until there is greater clarity on the role of councils in payment of benefits under the new Universal Credit structures.

properties. Other than this, we do not anticipate further changes to the way in which housing support will be calculated in the short to medium term.

What do these changes mean for local authorities?

Over time, the financial support currently delivered by local authorities through Housing Benefit and tax credits will be replaced by the Universal Credit. This process will not be completed until the Universal Credit is fully in place, around four years after implementation begins in 2013.

Could this affect my job?

These are significant changes to the welfare system and they will have an impact on how local authorities operate. In turn, this is likely to affect the roles and responsibilities of many people working in your authority. Until the DWP has made further decisions on how the new system will be organised operationally, it is not possible to be precise about those impacts. As this work develops DWP is undertaking to keep local authorities fully informed and involved.

How will Council Tax Benefit be affected by Universal Credit?

Council Tax Benefit will not be part of Universal Credit. Local authorities are in the best position to decide on how to support vulnerable households in their area and to deliver that support in line with existing rebate and discount schemes.

The details of this change, and in particular how to ensure localised Council Tax Benefit is compatible with Universal Credit, will be discussed and agreed between DWP, DCLG, our representatives and the devolved administrations in Scotland and Wales.

What about the Social Fund?

Social Fund will change as Universal Credit is introduced to tackle growing abuse of the system, whilst ensuring that it serves its purpose of protecting the most vulnerable in society. We currently expect some of the more straightforward elements of this to become part of Universal Credit. Other elements, including Community Care Grants and Crisis Loans, that would benefit from more local contact and discretion will be devolved to local authorities in England. The devolved administrations in Scotland and Wales will determine how this will be delivered. There is a lot of work to do before we will have all the details and staff will be kept fully updated on any developments.

Will customers see their benefits reduced as a result?

The government is keen to ensure that benefits are well targeted and fair, and has made it clear that the purpose of Universal Credit is not to reduce levels of support. Details are still being worked on and will be set out in the Welfare Reform Bill.

Where can I get more information?

Universal Credit: Welfare that Works is available to read on the DWP website at: www.dwp.gov.uk/universal-credit. We will update you on further developments as they are made.

What should I say if a customer asks me a question about this that I cannot answer?

This briefing has tried to anticipate the most probable questions, but of course there is always the possibility that a customer will ask you a question you cannot answer, or they will not be satisfied with the answer you give. It is important that customers recognise that these changes will not affect them until 2013 at the very earliest, and that we will tell you about any changes that may affect them well before they take place.

(Reproduced from the DWP letter to Benefits Managers 11/11/2010)

Harmonisation of T&Cs Scrapped...

So, what have they been replaced with?

...the Code of Practice in Workforce Matters in Public Sector Service Contracts introduced in March 2005 has been withdrawn with immediate effect from 13 December 2010, and has been replaced by new "Principles of Good Employment Practice".

In local and central government, each organisation, or department, with sovereign powers has developed its own terms and conditions for staff. Therefore bringing together employees in a shared service often results in staff, in the new, better service, being on differing T&Cs.

In addition bringing in new employees on lesser terms than those on TUPE arrangements has not been acceptable either, under the *Code of Practice in Workforce Matters in Public Sector Service Contracts 2003/2005*. In principle, the aim of the 'Two-Tier Code' was to limit the emergence of a "two-tier" workforce between new recruits and transferred public sector staff.

However in December 2010 the code was repealed for central government department contracts and replaced with six 'principles'. And, it is possible the same may happen for local government too.

Remind me about the code of practice?

The *Code of Practice in Workforce Matters in Public Sector Service Contracts* came into effect on 13 March 2003 in England, and in Wales in April 2003, and only applied to local government. In March 2005 it was extended to the civil service, NHS and maintained schools.

The code related to local authority service contracts which involve a TUPE transfer of staff, either from a local authority, or government department, to a contractor (which could be another local authority or government department). This includes arrangements with the private, voluntary or community sector such as PFIs, PPPs, and Strategic Partnerships.

The Code refers to the treatment of transferees and makes clear that TUPE is expected to apply in all situations unless there are genuine exceptional reasons for it not to apply, and that the pensions of transferees must be protected, either through admitted body status or broadly comparable pensions.

Provisions in the Local Government Act 2003 make these provisions statutory.

Local authorities are required to include the Code in the service specification and conditions for all contracts or re-tenders of contracts for services.

Authorities are also required to monitor compliance with the conditions set out in the Code and to certify in their annual Performance Plans that individual contracts comply with these requirements.

So what's changed?

The Coalition Government has announced that the *Code of Practice in Workforce Matters in Public Sector Service Contracts introduced in March 2005*[1] has been withdrawn with immediate effect from 13 December 2010, and has been replaced by new "*Principles of Good Employment Practice*".

However, no announcement has yet been made concerning the withdrawal of Two-Tier Code under the *Code of Practice in Workforce Matters in Local Authority Service Contracts introduced in 2003*. A number of lawyers are predicting that repeal of this code is inevitable.

The Two-Tier Code required that:

- new recruits had to be employed on terms that were, overall, no less favourable than those of the transferred public sector employees.
- that the service provider was required to offer new joiners membership of a "good quality employer pension scheme" (as defined in the Code) or a stakeholder pension scheme to which the employer was required to match employee contributions up to 6% of pay.

In withdrawing the Two-Tier Code, Francis Maude (Minister for the Cabinet Office), has stated: "*The Code did little to protect staff, while*

1 i.e. civil service, NHS and maintained schools staff

The underlying concepts is that employers of all sizes and from all sectors can have the freedom and flexibility to motivate and reward their workforce, to meet business needs.

deterring responsible employers from delivering public service contracts. We should not be making it more difficult for small businesses and voluntary organisations to succeed in the public service market."

What are the six new principles?

The Coalition Government has committed to opening up government procurement and reducing costs. In support of its aspirations, it has developed a statement of principles of good employment practice that will form part of good practice literature and be shared with contracting authorities and suppliers.

The underlying concepts is that employers of all sizes and from all sectors can have the freedom and flexibility to motivate and reward their workforce, to meet business needs. In return they will voluntarily observe the following principles relating to employees terms and conditions (this is an edited version)[1]:

1. Government as a good client: *Through its commissioning, procurement standards and processes, central Government should encourage contracting authorities and suppliers to promote good workforce practices in the delivery of public services. Government will ensure that the workforce practices of the supplier are considered throughout the procurement process, where appropriate.*

2. Training and skills: *Suppliers should be able to demonstrate that staff have appropriate training, qualifications and access to continuing professional development as befits their role; and that staff are supported to develop their skills and grow their experience in line with any future roles that maybe expected of them.*

3. A commitment to fair and reasonable terms and conditions: *Where a supplier employs new entrants that sit alongside former public sector workers, new entrants should have fair and reasonable pay, terms and conditions.*

[1] The full text of the six principles can be obtained from the Cabinet Office website

4. Equality: *Contracting organisations will ensure that supplier policies and processes are entirely consistent with the responsibilities they have as employers under the Equality Act 2010.*

5. Dispute resolution: *All suppliers delivering public services should have regard to good industrial relations practice on dispute resolution. This includes treating employees fairly and ensuring compliance with the law on trade union membership.*

6. Employee engagement: *These should note the themes identified in Drive for Change place leadership, the design and delivery of service improvements, communications and a framework for staff engagement as vital components in ensuring and enhancing employee engagement.*

Cabinet Office have also stated that the impact of these principles on employment practice will be reviewed by the Public Services Forum in January 2012.

They have committed the Forum to assess how the principles contribute to good employment practices in the delivery of contracted out services.

So what does this mean for shared services?

For central government services that are outsourced to either another government department, the private or voluntary sector (that includes mutuals operated by ex-staff) the terms and conditions of new staff do not have to match those of TUPE staff.

We await news on the repeal of the 2003 Code for local authorities.

Supreme Court Overturns The 2009 Brent vs RMP High Court Ruling

This ruling has key implications for the development of collaborations between groups of sovereign public sector bodies, whose intention is to award contracts to each other within a shared service vehicle.

In a key judgement by Lord Hope and others in the Supreme Court, a ruling was made (09/02/11) that *"...the 2006 [EU procurement] regulations do not apply where a local authority, like Harrow, intends to enter into a contract of insurance with LAML [London Assurance Mutual Ltd][1]".*

This ruling has key implications for the development of collaborations between groups of sovereign public sector bodies, whose intention is to award contracts to each other within a shared service vehicle.

Just to remind you...

The insurance brokers, Risk Management Partners Ltd, were unhappy that Brent Council had stopped an EU procurement tender process and instead, awarded its insurance contract directly to a mutual of local authorities. In the resulting court case[2] Brent, Harrow Councils and the Local Authority Mutual Ltd (LAML)) claimed they were covered by both the Local Government Acts of 1972 (Section 111) and 2000 and the Teckal test.[3]

The high court ruled that the two government acts were insufficient grounds to establish the shared service and that Brent did not exercise enough control over LAML to be able to justify their claim on the Teckal test.[4] The case went to appeal in 2009, but was dismissed and both previous decisions were affirmed[5].

CLG were none too pleased with this ruling and worked to introduce a special power to enable councils to develop insurance mutuals under the Local Democracy, Economic Development and Construction Bill 2009.

[1] Supreme Court Case 2011 UKSC 7 *on Appeal from [2009] EWCA Civ 490* para 93, p36
[2] [2008] EWHC 692 (Admin); [2008] LGR 331
[3] The underlying principle of a 'Teckal test' is that where a company is controlled by a local authority the authority is exempt from some of the demands of EU procurement law on the basis that it is effectively asking itself to carry out work on its own behalf.
[4] [2008] EWHC 1094 (Admin); [2008] LGR 429
[5] {2009] EWCA Civ 490

In his ruling on the appeal Lord Hope states that, *"The scope of the dispute has narrowed considerably since the decision of the Court of Appeal. There have been two significant developments.*

First, on 12 November 2009 Royal Assent was given to the Local Democracy, Economic Development and Construction Act 2009. Section 34 of the 2009 Act gives power to local authorities to enter into mutual insurance arrangements of the kind in issue in this case. It also permits the benefit of such arrangements to be extended to other persons to be specified by regulation. That section is not yet in force, but it is expected to be brought into force shortly. This change in the law has largely superseded any question as to the statutory power of local authorities to enter into such arrangements.

Secondly, the proceedings between Brent and RMP have been settled. This has resulted in Brent being given leave to withdraw its appeal to this court. In the result the appeal is now confined to the question of principle arising in the damages action only, in which Harrow still has an interest.. This is whether, by entering into the mutual insurance arrangements with LAML, Harrow was acting in breach of the 2006 Regulations[6].".

So this case focused on whether Teckal applied or not. Within that context, Lord Hope, with four other Supreme Court judges, went on to support the appeal by Harrow Council[7] against the previous judgements.

In his summing up, Lord Hope writes, *"I am accordingly satisfied that in the circumstances of this case both of the Teckal criteria are satisfied and that, since the local authorities are not to be regarded as contracting with an outside body, Community legislation which is designed to secure the free movement of services and the opening-up to undistorted competition has no application. So the [EU] Directive is not intended to apply where a borough such as Harrow intends to contract with LAML[8].".*

[6] Page 4, para 8
[7] Harrow has been an "interested party" in the Brent vs RMP cases.
[8] Page 36, para 91