April 2013
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shared service architecture MAGAZINE

essential shared service skills and knowledge for public sector managers

Minister Brandon Lewis presents Shared Service Postgraduate Certificates and announces new £9.3m reward fund

THE HOOPLE FACTOR

Mike Deering, Managing Director of HOOPLE talks about their shared service journey in health and local government.

IS SOCIAL HOUSING THE NEXT GENERATION OF COLLABORATION CATALYSTS?

The debate begins on the future of the housing associations in a world of collaboration and shared services.

CONSIDERING SHARED SERVICES AS A CAREER?

Heather Drummond, SS(PRAC) suggests a route to discover the best shared service jobs.

Case Studies Tools & Techniques Reviews

Would you like to come with us on the next wave of collaboration activity?

In his 2006 book *"Shared Services in Local Government"*, Ray Tomlinson evidenced that shared service activity happens in waves. Look closely at the studies in HE, FE and Local Government since 2004, and you will see peaks of activity and funding in 2005/07, 2009/10 and it's happening again in 2013/14 across councils, HE and housing.

Our Shared Service Architects tell us that most of these projects have been led by learn-on-the-job, have-a-go-heroes (usually themselves), with resulting hit-or-miss outcomes.

So, when Minister Brandon Lewis and HEFCE's Steve Butcher presented postgraduate certificates to a new cohort of Shared Service Architects in March, they praised the growing numbers of skilled and knowledgeable shared service leaders and practitioners who can break that hit-or-miss cycle.*(See page 7).*

Over 1,000 student places have been taken up on the Shared Service Practitioner programme. Over 1200 toolboxes are in use. We are on Cohort 6 of the Postgraduate Certificate in Shared Services and there are over 200 recognised Shared Service Architects and Practitioners working effectively in public purpose shared service development.

But, the big story that is beginning to unfold is not about shared services. Although it is estimated that they can save up to £400m for the public sector over the coming years, Ernst & Young's report on the impact of community budgets estimates a potential yield up to £20bn in savings. *(See the community budgets articles starting on page p29).*

If Whitehall play ball on community budgets, it will be the next truly exciting, collaboration wave. And, unlike the hit-and-miss approach in past waves of shared services, you are the skilled and knowledgeable people who can get it right first time!

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Have you registered as a Shared Service Practitioner?

If you have attended three of the four Shared Service Practitioner's programme seminars, you are entitled to register as a Shared Service Practitioner - SS(PRAC)™

SS(PRAC)* signifies that, as a recognised Shared Service Practitioner, you are equipped with a range of over 100 tools, templates and techniques to support a shared service project using the *Shared Service Architect®* methodology.

SS(PRAC)* also indicates that you have stepped into the initial module of the Postgraduate Certificate In Shared Services*.

Employers are looking for shared services skills and experience and SS(PRAC) sends a clear message to them on your CV.

To find out more about the Shared Service Practitioner Programme and seminar dates, visit:

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Housing Associations - Are they the next generation of collaboration catalysts?

A key message from the Chartered Institute of Housing's 2013 report[1] on outsourcing and shared services is that: "*Housing associations are redefining themselves in terms of focus and operational emphasis and are going to have to work in more commercial ways. We are likely to witness the emergence of a mixed market of association structures, partnerships and approaches, in which outsourcing and shared services could play a significant part.*"

This echoes Liz Potter, Chair of Orbit Group, who set out the challenge for the housing sector in the coming years in a 2012 paper:

"If we are to continue delivering good quality affordable homes in volume, continue helping people to achieve their aspirations, and continue improving the look, feel and economic vitality of neighbourhoods we must transform the way we work, not just as a short-term reaction, but as a fundamental business driver for the future[2]".

A similar theme was raised at the same time by Alistair McIntosh, Chief Executive of the Housing Quality Network:

"*Cuts to benefit will starve associations of cash. It is a testing experience running to wafer thin margins. Ask your friends in councils and ALMOs. Everything is up for the chop. …Leadership in the relaxed world of 2012 will bear no relation to what is about to come[3]".*

If these are accurate predictions then, if not happening already, the leadership in many organisations will be running each of their services through the SSA's Efficiency Matrix *(see page 14)* to determine what they want to retain in-house, sell, outsource or share with other housing associations.

However, whilst sharing services with other associations is one option, maybe there is a more important role for them as conveners of major collaborations in their local place.

However, whilst sharing services with other associations may be an option, maybe there is a more important role for them as conveners of major collaborations in their local place. But hold that thought whilst we look at existing shared service activity in the sector.

'Dabbling' in shared services…

Kate Davies, Chief Executive of Notting Hill Housing is not enamoured by the volume of shared service activity in the sector:

"Apart from dabbling with procurement clubs, development agencies and a few stock swaps there has been very little collaborative activity in the housing sector. Most social landlords do everything in-house. [For example]…Housing associations (and their tenants) spend a lot of time complaining about repairs contractors, but why hasn't our sector had the courage to create a maintenance company to sell focused, expert services to housing associations?

Why haven't we been able to design, collaboratively, a great housing IT system that everyone would surely want rather than what the flaky private sector are offering?[4]."

However let's not overlook the good internal shared services activity that has taken place. Current examples are Riverside Group's shared service centre to provide standardised financial transaction processing services and Sanctuary Group's development of an internal shared service.

It makes good sense to gain efficiencies through internal sharing for two reasons. Firstly, if you have a strong culture of internal sharing then you should be better disposed to external sharing[5]. Prof Rosabeth Kanter describes this as "collaborative advantage", suggesting that organisations who learn to collaborate well prove to be attractive to many partners and therefore have "*collaborative advantage over others[6].*"

[1] CIH (2013) *Going to market – The role of outsourcing and shared services in Housing Associations.*

[2] Orbit Group (2012) *Housing 2020: Six views of the future for housing associations.*

[3] Housing in 2013: 'A testing experience running to wafer thin margins' Dash24 (10/12/2012).

[4] Guardian Professional, Wednesday 18/07/2012

[5] Huxham, C. (1996), Sullivan and Sketcher (2002), Lank E (2006) Economist Intelligence Unit (2008) et al.

[6] Kanter, R. (1994) Harvard Business Review 72:4

"It seems that the money ALMOs have taken away from councils for the provision of support and back office services may be behind some decisions to go back in house, with the councils needing to bolster their own back office services in these cash strapped times…"

There are also good examples of shared services in the sector. For example East North East Homes, West North West Homes and Aire Valley Homes, have combined IT, finance, human resources, marketing and communications to form a vehicle called the ALMO Business Centre Leeds.

In 2010, Devon & Cornwall Housing, Tor Homes and West Devon Homes set up a shared service to work together on efficiency savings and service improvements. In addition is the East Kent Housing ALMO, the provision of shared services by four councils to 18,000 households.

However, the future of ALMOs is looking a little precarious. Brendan Ryan, Chief Executive of East Kent Housing, told *The Guardian* in December 2012: *"It seems that the money ALMOs have taken away from councils for the provision of support and back office services may be behind some decisions to go back in house, with the councils needing to bolster their own back office services in these cash strapped times. Maybe the ALMO of the future needs to look at how it can share or contribute to the council's back office services*[7]*".*

A final example involves Bromford Group, Merlin Housing Society, Notting Hill Housing and others who have each acquired so-called 'cells' in Igloo – a risk transfer company for the social housing sector, established in 2011 by insurance adviser Acumus.

Igloo helps individual housing associations to set up its own in-house insurer for routine claims. It is a risk management tool to create savings on smaller claims that do not have to be underwritten by a major insurer. 125,000 homes in England and Wales are now insured through the shared Igloo structure.

What about collaboration with non-housing partners?

An example of a non-housing to housing partnership is Kirklees Neighbourhood Housing (KNH), which manages 23,000 homes and has partnered with energy metering and billing specialist ENER-G Switch2 (ES2).

They plan to install in-home display units that lets customers see, in graphical form, how much energy they are consuming, when they are using it, how much it is costing them and how much credit they have available.

It will make it easier for residents to budget and to monitor and manage their energy usage, helping them to reduce consumption and costs. The pay-as-you-go element works like topping up a mobile phone, using smart wireless technology to replace the traditional token-based pre-payment system.

The benefits are less arrears on tenants' energy payments and reduced costs for the billing company.

Then there is the collaboration between Ascham Homes, ReStore, Waltham Forest Council and Forest Recycling, called Furnishing The Future. It recycles both furniture and paint for the benefit of residents. It reports that it has recycled 5,524 litres of paint and 67 tonnes of furniture, saving 175 tonnes of carbon in the first year of the project.

The 2013 catalyst for more of these types of cross-sector collaborations in housing could be the Public Service (Social Value) Act 2012[8].

Mark Richardson is author of the *Green Light Report* which examines the relationship between housing associations and the wider social enterprise sector.

His view is that: "*The Social Value Act will require housing associations to consider wider social value when procuring services… They can buy from social enterprise, they can partner with or capacity-build existing social enterprises, or they can start new ones.*[9]"

The role as collaboration catalysts

With that thought let's return to the potential for housing associations as conveners of major collaborations in their local place.

ResRepublica, released a report in November 2012: *Acting on Localism - The role of housing associations in driving a community agenda.*

[7] Guardian Housing Network Blog, 01/12/2012

[8] See SSA Magazine V1 Ed. 8 for background to the act.

[9] Guardian Social Enterprise Network 10/12/12

The potential to do more is immense. Building resilience, developing social capital and self-help and working with communities to strengthen and sustain them are activities which many associations have yet to tackle.

Phillip Blond, Director of ResRepublica (p3) writes that: "*In our view, housing associations are ideal change and place makers - they can and should make a difference in the communities they serve.*

After all, they are well positioned to do so; they already contribute an annual investment of almost £746.5 million to community and neighbourhood activities. Housing associations hold an established relationship with, not only their tenants, but also the wider community. They are embedded within communities and are in an ideal position to generate both social and economic capital by acting as guarantors, enablers, investors, capacity builders and facilitators".

He cites the example of Placeshapers, a group of housing associations, of more than 80 members with half a million homes: "*They act as catalysts for community change, provide knowledge, expertise and resources for wider community benefit, focus their activities at community level, re-invest cashable savings to support their work in these communities, create and support a wide range of cross-sector partnerships and encourage new forms of accountability to give communities a stronger voice.*

The potential to do more is immense. Building resilience, developing social capital and self-help and working with communities to strengthen and sustain them are activities which many associations have yet to tackle.".

Hilary Clinton is credited with the phrase, "*Never waste a crisis!*".

In that context, and the context of the diminishing financial clout of councils hit with further budget reductions over the next four years, housing associations that equip themselves with the right collaboration skills and knowledge could well become the major collaboration catalysts and place shapers in local, public purpose activity.

Top trends to watch for in social housing, in 2013-15

1. **Leading from the top**, with boards and partners reassessing the purpose and role of housing associations and ALMOs within the context of a long period of austerity. Some councils will want to bringing their ALMOs in-house, the emergence of super ALMOs, and the exploration of shared ownership models such as council owned/ community owned (COCO) models.

2. **Localism will be a key driver** in 2013 and beyond. Watch out for community budgets being expanded beyond the existing 'whole place' and 'neighbourhood' pilots. This will be a spur to more collaborative working at local level.

3. **The need for more innovative approaches** to democratic and community engagement. The Orbit Group talks of three different community investment models (freeway community chest, invest to save and triple bottom line)

4. **More shared back offices and procurement**. This might be achieved by bringing ALMOs in-house, or by setting up shared service organisations (eg ABCL) or via shared procurement and membership (eg Igloo)

5. **Moving from public services to public service.** Welfare reform is a classic example (as are troubled families or adult social care/health) where citizens are demanding more joined up provision. Housing associations, given their close relationship with their residents, are uniquely placed to be the promoters of local diversity, local vehicles of community ambition and capacity builders for active social participation (ResPublica).

6. **The burning platform is becoming hotter.** The tough it out strategy simply by cuts and efficiency improvements are unlikely to address the gap between supply and demand. New models of working will be required. To quote Derek Long of NHF "*social housing's future lies in collaboration and creativity*".

Shared Service Architects
The journey to professional recognition

2011: ***Sir Merrick Cockell*** *awards postgraduate certificates to the first cohort of Shared Service Architects. By the end of 2011 over 400 public sector leaders and senior managers had attended one or more seminars of the Shared Service Practitioner programme.*

2012: ***Baroness Hanham*** *awards certificates to a further cohort of Shared Service Architects and almost 700 people had attended seminars in the Practitioner programme.*

Feb 2013: ***Minister Brandon Lewis and Steve Butcher from HEFCE*** *award new Shared Service Architects with their postgraduate certificates. There are over 200 eligible Shared Service Architects and Practitioners and over 1,000 people have attended one or more of the Practitioner seminars.*

CLG Minster Brandon Lewis and Steve Butcher, Head of Procurement and Shared Service Development at HEFCE, present postgraduate certificates to members of the newest cohort of Shared Service Architects.

February 2013 marked a milestone for all those involved in the delivery of public purpose collaborations and shared services. It was confirmed that over 1,000 student places have been taken up on the Shared Service Practitioner programmes.

Following in the footsteps of LGA Chair Sir Merrick Cockell and Under Secretary Baroness Hanham, CLG Minster Brandon Lewis and Steve Butcher, Head of Procurement and Shared Service Development at HEFCE, presented postgraduate certificates to members of the newest cohort of Shared Service Architects.

During 2012 more than 30 students completed the Postgraduate Certificate in Shared Services from across the public sector including HE, FE, councils and public sector consultancies.

All have been accorded Shared Service Architect recognition and can use the post-nominal letters SSA™.

The six month postgraduate programme has been designed and delivered through a partnership between Canterbury Christ Church University and Shared Service Architecture Ltd. To date, over 50 practitioners have successfully completed the programme.

Steve Butcher, who awarded the certificates to the HE and FE students, outlined key developments in the further and higher education sector with regards to shared services and its focus on shared ICT as the enabler. He also emphasised the value of developing capacity within the sector to deliver projects more effectively.

Before handing out the certificates, Minister Brandon Lewis stressed the need for more sharing of services within local government suggesting an ambition of 95% of councils, sharing 95% of their services.

To achieve this he fully supported the need for training and developing the shared service skills and knowledge of both Councillors and senior managers so that they can deliver the benefits of shared service activity effectively and rapidly.

Where to next with Shared Service Architect and Practitioner recognition?

At Shared Service Architecture Ltd, we have been working over the last four years to gain recognition for leaders and senior managers who are working on collaborations and shared service activities.

These projects are multi-partner, multi-million pound change management programmes that require specific skills, knowledge and professional application of techniques. They require the appointment of senior people with these skills to lead and facilitate the development phase of the projects (Shared Service Architects) and project team members (Shared Service Practitioners).

Partnerships and employers can now approach their project with more confidence by making Shared Service Architect - SSA™ or Practitioner - SS(PRAC)™ recognition a desirable aspect of the job description.

On the SSA website there is a special area for SSAs and SS(PRAC)s to share good practice, borrow documentation and also flag up their availability for project work.

If you would like further information about achieving SSA or SS(PRAC) recognition, please visit: **www.sharedservicearchitects.co.uk**

As a Shared Service Architect, or Practitioner you would be joining peers like these:

Adrian Stockbridge SSA
Surrey County Council

Anne Nikolaou SS(PRAC)
Oldham Council

Catherine Pearson SS(PRAC)
Oldham Council

Clive Davison SS(PRAC)
London Borough of Bromley

David Martin SSA

Debbie Dear SS(PRAC)
Consultant

Deborah Flynn SS(PRAC)
Oldham Council

Graham Rogers SSA
University of Wales (Newport)

Heather Wilson SSA
Manchester Metropolitan University

Henry Cressey SS(PRAC)
Cambridgeshire Fire & Rescue Service

Janey Jux SS(PRAC)
Consultant

Jessica Harris SSA
Consultant

Jayne Harrington SS(PRAC)
Oldham Council

Jill Rouse SS(PRAC)
NEREO

Jon Aldington SSA
Kent MAN Limited

Julie Rogers SS(PRAC)
Ashford Council

Kate Millin SSA
Dudley Council

Lorraine Cox SS(PRAC)
Halton Borough Council

Mary O'Riordan SSA
NUI Galway

Richard Rout SS(PRAC)
Halton Council

Roz Edridge SSA
EK Services

Sarah Bell SSA
Oldham Council

Shaer Halewood SS(PRAC)
Warrington Council

Sharon Collins SS(PRAC)
Collins Corporate Solutions Ltd

Sharon Weetman SS(PRAC)
Wigan Council

Vinit Shukle SS(PRAC)
London Borough of Bromley

Accelerating your partnership projects with a CoSS Peer Challenge

Mark Palmer MBA (FCIPD) is Development Director for South East Employers and is helping to develop shared service peer challenges.

The LGA map[1] of shared service activity in local government has highlighted a problem for the sector.

The good news is that the map illustrates that there are **337** councils, involved in **230** collaborative activities, with a prediction to deliver **£250**m of savings in the coming years.

But, although some of the collaborations are in full delivery, the bad news is that many appear to be taking a long time to move from development to delivery. Savings urgently needed now, could be a year or more away. The *cost of delay* could run into millions of pounds for the sector as a result.

For that reason, South East Employers and Shared Service Architecture Ltd are piloting *Collaboration or Shared Service (CoSS) Peer Challenges* to Council partnerships.

I have an interest in a pilot for councils in the south east of England who are engaged in collaborations (eg Place-Based Budgeting, LEPS, Troubled Families, Health Boards, etc) and back office shared services too (eg ICT, HR, Revenues, Legal, Contact Centres, etc).

For example, if your business case predicts that your organisation will save £365,000 a year, then you are losing £1,000 per day, for every day it is delayed. This is called "The Cost Of Delay".

What is a CoSS Peer Challenge?

A Coss Peer Challenge accelerates the development of joint working activity and gives direction and assurance to its progress.

It provides an opportunity to accelerate both the speed of development and the delivery of the outcomes desired by the leadership.

Using it to accelerate your project

Every day that a collaboration or shared service project is delayed, is a day of lost savings for the partnering councils and the residents.

For example, if your business case predicts that your organisation will save £365,000 a year, then you are losing £1,000 per day, for every day delivery is delayed. This is called *"The Cost Of Delay"*.

The peer challenge shines a light on what is causing the hold-back to a joint-working project. In doing so, it can re-energise it to deliver the efficiency and improvement gains as soon as possible.

It will provide your leadership with agreed 'next steps' and provide a unique set of tools, based on the Shared Service Architect's programme, for your delivery team to implement those steps.

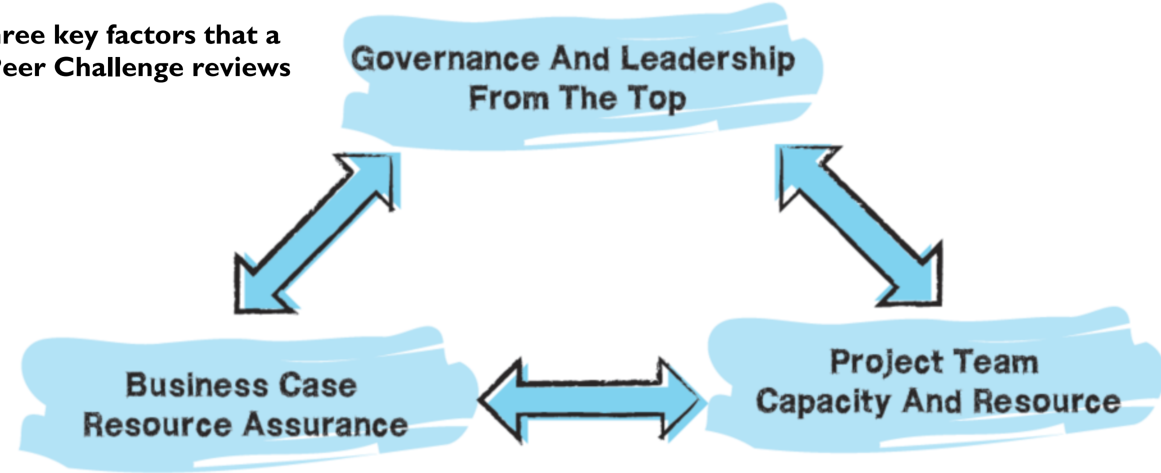
Not just back office services either…

We have structured the peer challenge so that it can be applied to both cross-sector strategic collaborations (Place-Based Budgeting, Troubled Families, Health Boards, etc) and specific back and front office shared services (HR, ICT, Finance, Legal, Social Care, Children's Services, Procurement, Libraries, Benefits, Housing, etc).

It has the familiar format of a two-day visit, but it is not a formal inspection, nor is there a contractual requirement for the partnership to publish the outcomes and agreed 'next steps'.

1 See page 25

The three key factors that a CoSS Peer Challenge reviews



Academic research and many recent public sector reports reveal three key factors that decelerate progress in collaborations and shared services…

Collaborations and shared services are complex and the private sector evidences[1] that 60% or more of alliances, mergers or shared services fail to deliver fully on the business case promise, or predicted increase in shareholder value. Public sector experience appears to be mirroring this.

Making sure you are in the 40%…

So how can council partnerships ensure that they fall into the 40% that have the best chance of success?

Academic research and many recent public sector reports[2] reveal three key factors that decelerate progress in collaborations and shared services:

- Collaborative governance and collaborative leadership from the top are not sufficiently focused to drive the project forward
- Business cases are not supported with appropriate resource to assure success
- Project teams lack the authority, capacity or experience required to deliver the project

Drawing on the, academically underpinned, but highly practitioner focused (100+) tools and templates of the Shared Service Architect's Toolboxes, the peer challenge provides an option for partnerships to address these three major problem areas.

[1] Higher Education Funding Council (2012); Oakleigh Consulting Shared Service Literature Review (2010), Audit Commission (2008) and others

[2] LGA (2012), NAO (2012), HEFCE (2012), AoC (2011), LFHE (2011), LGA (2011), NLGN (2011), CIPFA (2010)

Where possible the peer challenge will be led by a registered SSA™ with delivery experience and appropriate qualification[3].

Spotting the symptoms of cost of delay…

You can easily spot when a shared service is floundering and a peer challenge could help. For example:

- The shared project is making little noticeable progress
- There is a lack of a shared vision between the partners
- There is limited collaborative leadership from the top
- There is drive from the leadership but the project team cannot deliver
- There is in-house resistance to progress in one or more partners
- The assumptions on which the business case was originally based have changed

Roll out in Spring 2013…

The *CoSS Peer Challenge* concept has been well received by our test group of Councillors and officers who are involved in collaboration and shared service activity.

If you are interested in discussing a peer challenge for your partnership, contact Dominic Wallace at Shared Service Architects.

[3] An SSA has completed the Postgraduate Certificate in Shared Services at Canterbury Christ Church University or similar qualification.

HOOPLE: A successful NHS and Local Authority partnership

Mike Deering is Managing Director of Hoople Ltd. Here he talks to SSA Magazine about HOOPLE's experience, governance and journey to success.

Can you share with us what Hoople Ltd is?

Hoople was established in 2011 as a joint venture to share costs between Health and Local Government.

The founding partners were Herefordshire Council (unitary), NHS Hereford PCT and Wye Valley NHS Trust.

What were the drivers for change that made the partners come together?

There were four main drivers: rationalising and improving services; retaining jobs in Herefordshire, partnership working across the county and delivering savings.

The initial ambition was £12m savings across 10yrs. And we are currently beating this ambition, having delivered £619k of savings in the first year on a turnover of £11.5m.

A key element of the partnership was also a strong commitment to innovation. There was a clear shared vision from the top, that it could be done.

"Rising To The Challenge" is an on-going change management programme to reshape public service provision in Herefordshire and it helps immensely that Hoople is central to that programme.

Some collaborations or shared service projects are treated as side projects. Our leadership treat Hoople as *"business as usual"* in Herefordshire and therefore it is successful.

Was it a quick start up period?

It actually goes back to 2008 when we started to try and integrate some of the back office services.

The initial business plan in 2009 looked at specific services Hoople could provide to its owner-organisations and additional extended services that could be used beyond just the partners themselves.

It has retained its momentum because of strong support from elected members, the senior managers and non-exec directors. Also an injection of funding from the RIEP helped the partners develop the detailed business case.

What challenges have there been in bringing the three sets of staff together?

The staff are committed and they have had to work through both practical issues and the cultural challenges associated with any major change management programme.

For example a practical issue was adhering to TUPE across three different organisations, with three different sets of terms and conditions.

And probably the major challenges were continued delivery of services during periods of upheaval and the dichotomy of achieving improvements whilst delivering savings.

How is your partnership governance structured?

Hoople is a limited company in which the shareholders are Herefordshire Council 62% , Wye Valley NHS Trust 21% and NHS Herefordshire 17% .

The board has a Chair and two Executive Directors, with six director level Non-executive Directors from:

- Herefordshire Council (2 members)
- Herefordshire Primary Care Trust (2 members)
- Wye Valley NHS Trust (2 members)

We are also exploring partnerships with other Public Sector organisations to find out if the Hoople model could be of benefit to their particular circumstances and challenges.

The Board has three standing committees:

- The Nomination Committee
- An Audit Committee
- A Remuneration Committee

The Board has agreed a set of strategic objectives to drive our business development.

They are used to inform business planning, personal objective setting and risk management. The objectives are:-

- To improve outcomes for residents
- To be continually improving service quality and cost
- To be an intelligent provider
- To be a catalyst for change in public services
- To be a secure and sustainable partner for our customers
- To be a growing business adding value for our shareholders

How is Hoople coping with the move from PCTs to clinical commissioning?

We are working closely with, and supporting, the PCT to help them innovate contracts and responsibilities to the nominated new partners.

From a Hoople perspective, we are building relationships with the new Herefordshire CCG, cementing our existing relationships with GPs and developing direct relationships with other health customers such as the 2Gether NHS Trust.

What about the future? How will Hoople grow?

To build growth for the future we are developing our product offers and methods of service delivery to suit a range of local commercial customers, charities, schools and academies.

We are also exploring partnerships with other public sector organisations to find out if the Hoople model could be of benefit to their particular circumstances and challenges.

If any of your readers would like an informal discussion to see if there are ways Hoople can support them, then they are welcome to get in touch with me.

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

If we were to start again now, I would have more robust clarification of the boundaries between the commisioner and provider, as establishing these boundaries during the past two years has been time consuming.

I would also invest more time in communicating the contents of our Shareholder SLAs both within the partner organisations and Hoople.

The final thing I would improve, rather than change, is the amount of governance we have adopted from our partners.

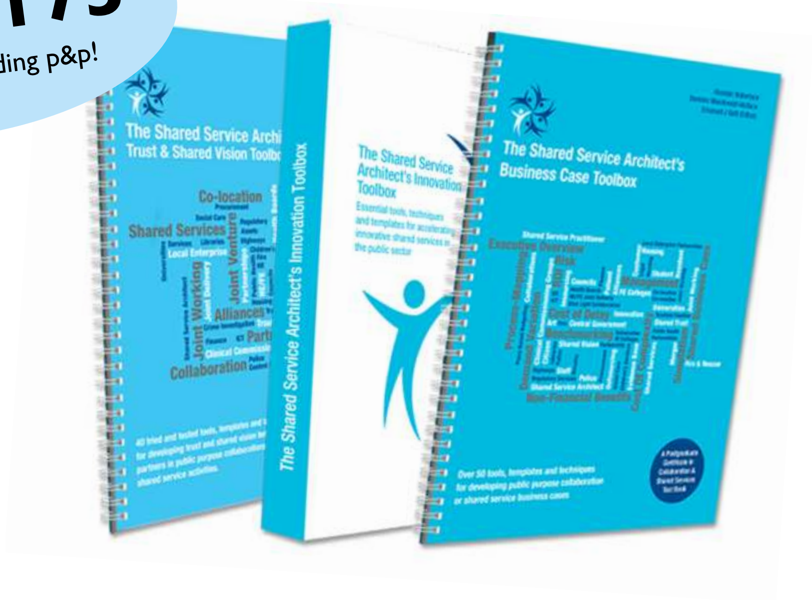
As a limited company, Hoople needs to have a strong governance structure but it does not need to have the same level of governance as our public sector, shareholding partners.

If you would like to know more about Hoople, you can contact Mike on enquiries@hoopleltd.co.uk

Over 1,000 copies now in use across hundreds of public purpose organisations

Only £175

for the set - including p&p!



The three Shared Service Architect's Toolboxes
(the text books for the Postgraduate Certificate in Shared Services at Canterbury Christ Church University)
are now available for direct purchase.

Over 1,000 copies are now in use across hundreds of public purpose organisations (councils, police, fire, FE, HE, LEPs, LSPs, third sector and central government).

The toolboxes provide over 100 tried and tested tools, templates and techniques for use in public purpose shared service activities and collaboration working such as community budgets, whole place projects and local enterprise partnerships.

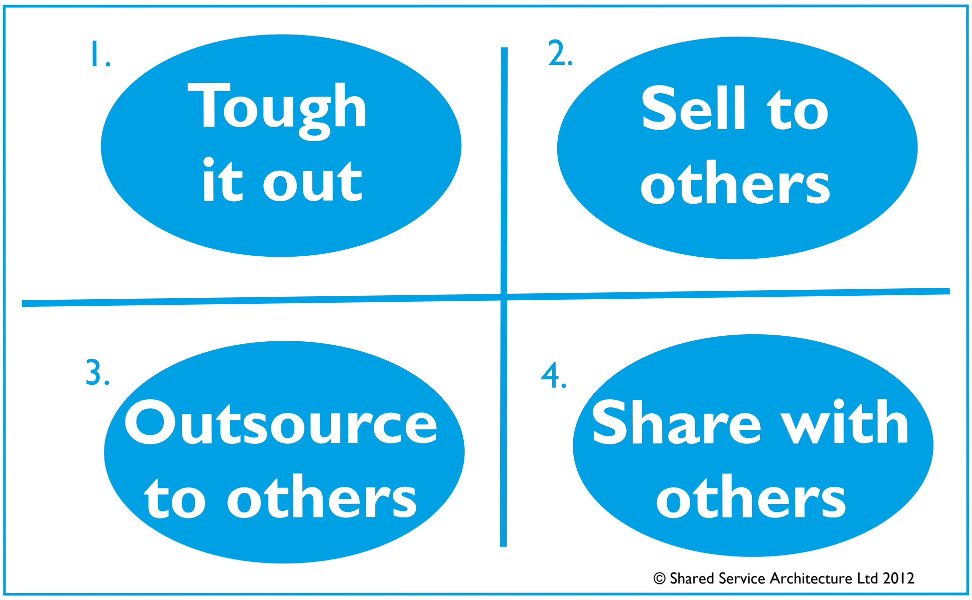
Visit

www.sharedservicearchitects.co.uk

to download sample chapters from the books
and make your purchase

Shared services is only one option…

The SSA's Efficiency Matrix



The Efficiency Matrix is a new addition to the 10 sections of your Highway Code of Shared Services folder.

You may find this section useful when working with colleagues who are jumping straight to complex and difficult shared service activity, without considering what the impact of sharing future control of their service might be.

Shared Service Architects are always taught at outset, that collaborating or sharing services is only one of four options in the efficiency matrix above - and should always be the final choice.

The other three options *must be attempted, or at least evaluated as options and discounted,* as they are potentially easier and quicker to do.

Collaborations are complex, tricky to develop and deliver. That is why people need to learn the skills and knowledge to get them right.

Research in the private sector suggests that 60% of alliances and mergers, fail to deliver on the promise of the business case, or the expected increase in shareholder value[1]. Let's be clear, *it is not that they fail completely,* it's that they do not deliver on the promise of the business case.

When sovereign organisations come together to collaborate, complexity comes with it.

The complexity can be found in the culture, structures and statutes that govern their ability to partner. And, complexity is found in the people, the power and the politics both internally, and between potential partners.

The Chartered Institute of Public Finance & Accountancy (CIPFA) state in *'Share The Gain'*. that, *"…effective collaboration is first and foremost a human and political challenge.[2]"*

Prof Chris Huxham and Dr Siv Vangen, are two of the the UK's leading authorities on collaboration activity for business and the public sector.

On page 37 of their excellent book *Managing to Collaborate*[3], they list their *'Tips For Collaboration'.*

Tip number one is, *"Don't do it unless you have to! Joint working with other organisations is inherently difficult and resource consuming."*

Their advice is to try to tough it out if you can and default to sharing only if *"...you can see the potential for real collaborative advantage".*

[1] HEFCE (2010) *Literature Review for the higher education collaborations, alliances and mergers project.* Bristol. HEFCE Publications

[2] CIPFA (2010) *Share The Gain.* London Cipfa Publications. p10

[3] Huxham, C & Vangen, S. (2006) *Managing to Collaborate: The theory and practice of collaborative advantage.* Abingdon: Routledge Books

We are not trying to put you off collaboration activity. We just want you to enter into it with your eyes wide-open to the complexity, and only once you have evaluated and discounted the other options first.

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Unpacking the Efficiency Matrix

Using the Efficiency Matrix with your decision-makers can help them reach more informed decisions on the best options for the future delivery of services in the organisation.

So let's look at the options in their order on the matrix.

1. Toughing it out: If feasible, this is probably the best option for organisations having to do more with less.

It involves activities such as better procurement, wafer-thin management, pay freezes, redundancies, innovation and stopping doing things.

Within the sovereignty of your organisation, you would apply lean methodologies, business process re-engineering and activity-based costing to effectively reduce waste and overheads. If successful you will have reduced the cost and improved the end user, staff and leadership experience of the activity being considered.

Even though 'toughing it out' is a very painful experience, the benefit is that 100% of the future destiny of your organisation is retained. You will not have to consult other organizations before making future changes.

2. Sell to others: If you manage to 'tough it out', the result is that you will have a very low-cost, efficient, quality service which you may be able to sell to others.

However, it will require you to develop a sales and marketing activity, plus you will have to bend the way you deliver in-house, to meet the requirements of demanding customers.

This can build in a cost of complexity. It may even demand that you set up an external, slightly higher cost, saleable service shaped to clients' needs.

If you are successful it will generate new income into your organisation, bolstering your budgets and funding your '100% destiny control'.

3. Outsource: This does not have to be to the private sector, it can be to another public purpose organisation who can offer you the service you need, but at a lower cost.

Since the Olympics and the G4S problem, outsourcing has been getting a bad press. We would suggest you ignore that and outsourcing should be considered as a serious option prior to looking at collaboration.

Under outsourcing you still keep majority control of the destiny of your organisation and the services you are delivering. It is easier to tell a supplier off for bad service, than a partner!

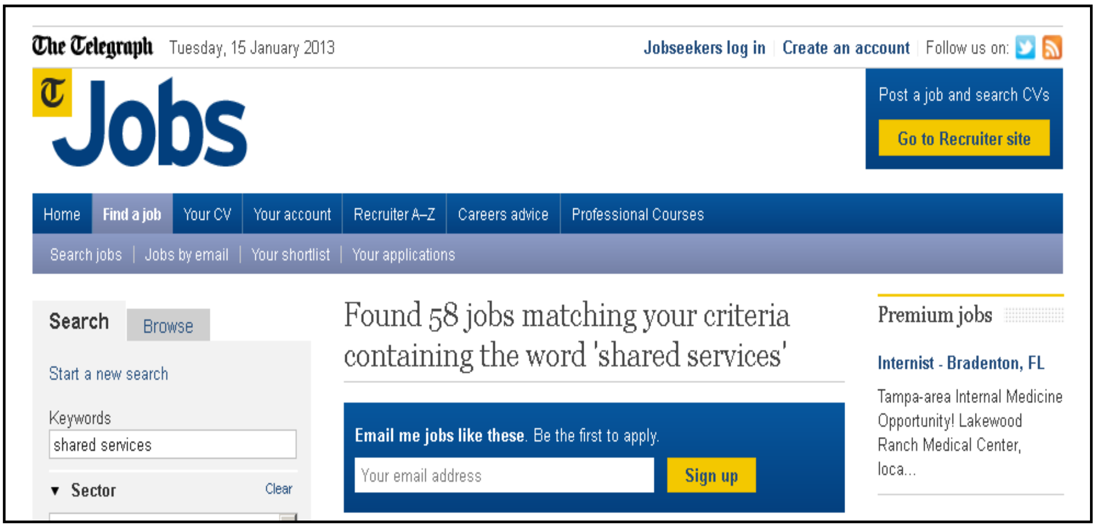
You can control performance by putting break clauses on an outsource contract and penalty clauses for failure to reach targets. That is much harder in a partnership where the customers and the suppliers, are the same organisations.

4. Sharing services: This has the largest potential efficiency and innovation gains, if together you are better than remaining on your own. But it does require you to give up 100% control of your destiny because major changes will require negotiations with partners.

In fact, if you are sharing a service with one partner, you will have 50% control, two partners - 33% control, etc. So it is best to enter into shared service activity only when the other three options have been attempted, or discounted.

Changing back to any of the other options (divorce!) can be very expensive.

Where to fish for jobs in shared services



Heather Drummond was recently appointed as Head of Shared Services at Leonard Cheshire Disability and explains how she landed the role.

Heather Drummond is a recognised Shared Service Practitioner and is currently working towards completion of the Postgraduate Certificate in Shared Services at Canterbury Christ Church University.

More excitingly, Heather was recently appointed as Head of Shared Services at Leonard Cheshire Disability.

Heather gained her shared service experience at Coventry City Council, Nottingham City Council and, more recently, working on the HR partnership between Nottingham City Council and Leicestershire County Council.

We asked Heather to tell the story of her search for shared service jobs so that maybe you can gain some shortcuts if you will be looking for a new role in 2013.

Tell us about you shared service background…

I think my advantage was the professional background of HR and the fact that I have had a shared services lead role in the past, although I must admit I did make a project out of seeking a new role and had the time to do so.

I learned a lot through my involvement with the Nottingham City and Leicestershire Councils' shared service activity and felt at home in the collaboration environment.

Where did you start your search?

Linked-in was a fabulous asset as a number of organisations sought me out by searching on shared services. If you can get '*shared services*' somewhere in a job title, they will be highlighted in searches and more likely to be picked up by agencies seeking candidates.

Another useful tactic is to enhance your Linked-in entry with attractive descriptions of relevant experience.

Make it as concise as possible, as accessible as possible, and to the point. You can view my entry on my Linked-in page.

Also, make sure you join a number of Linked-In shared services groups to make contacts, its good to get your name highlighted by commenting and a prospective employer could look on Linked-in to see if you are active.

An example group is the Shared Services Outsourcing Network and there are more in the box on the next page.

Are there many recruitment agencies working in the shared services area?

There is a lot of activity in shared service HR in both the private and public sector.

This was helpful to me as it is one of my areas of expertise. I contacted recruitment agencies that specialised in HR.

For example www.peoplemanagement.co.uk has a range of senior management shared service posts in the HR field.

Also www.jobrapidoalert.com will sift through a range of sites on your behalf and send you email updates.

How did you tailor your CV?

I made sure my CV was tailored towards shared services and my achievements were always tangible and expressed cost saving. I contacted people I knew, networking is a major asset, and advised I was available.

However, always spend some time to tailor your CV to the job for which you are applying. Employers always know if your CV is generic and feel you have less interest in their particular role.

Which online job websites would you recommend?

My new role as Head of Shared Services at Leonard Cheshire Disability was advertised in *The Telegraph*. I set up a request for email job alerts for 'shared services' and other relevant options. I wouldn't have known about the post if I hadn't had the alert.

General job searches will highlight the websites to join and all provide the alert facility directly to your email.

Another tactic on my check-list of actions (but I was appointed to my new role before I needed to do this) would have been to contact organisations with shared services in place and make myself known. For example through the LGA shared service map (see page 25).

So what would you advise people who are moving into becoming a shared service professional?

I guess it's like any job search really, it takes a great deal of effort and thought, together with a little luck.

I did have feedback from the agency that dealt with my new role to say they considered my application and relationship with them to be excellent because:

- I contacted them first by phone to express my interest and ask about the role
- I submitted a thought out cover letter with key highlights with my CV (appropriate to the role)
- I checked they had received it
- I responded immediately to every email invite they issued and remembered to thank them
- I contacted them immediately during each stage of the process to confirm I was still interested

All of this was fed back to the client by the agency and apparently created a good impression that enhanced my application. In some ways they seem small things, but well worth doing.

Even though I am in post, I continue to be contacted by a number of organisations, with new roles available to see if I might be interested.

Many would require relocation which may be a show-stopper to some people - or an opportunity to others.

And how is your new role at Leonard Cheshire Disability?

I have been in post for a month and am loving every minute.

My remit covers all HR (recruitment, HR admin) and financial transactions, administration, payroll, debt recovery, cashiers and the systems and management information teams.

I am learning all the time as most of this is outside my area of expertise. So I keep the perspective of our learning from the SS(PRAC) programme with a focus on 'what' needs to be done and 'how' it can be done more efficiently, highlighting how the shared services benefit the organisation and stakeholders.

Having so many support services means I make sure I am involved in all projects and improvement proposals to ensure we can plan ahead to support change – one of the tools I always try use as a Shared Services Practitioner!

Here are websites that Heather suggests may be useful to you:

Linked In Forums

- Global Shared Service Executives
- HR Shared Services Network
- Improving UK Local & Regional Government Forum
- Public Sector - New Ways of Working - Joined up Strategies
- Shared Local Government Services
- Shared Services & BPO Management Club

Employment websites specialising in shared services:

- www.peoplemanagement.co.uk
- www.indeed.com
- www.jobrapidoalert.com
- www.jobsgopublic.co.uk
- www.dailytelegraph.co.uk
- www.guardianjobs.co.uk

Can we help you find Shared Service Architects or Practitioners for your projects?

Shared Service Architecture Ltd wants to match organisations that are looking for shared service specialists with our alumni of over 200 public sector managers/consultants who have been through the SSA programme.

There are over 200 Shared Service Architects and Practitioners registered in the SSA community on the Shared Service Architect's website.

Once they have become eligible for recognition they self-enrol through the online application. During that process they declare their areas of specialism in shared service working, their preferred area of working and if they are looking for work at the moment.

They could be either between jobs, or waiting out their notice, or contract, and available for your project as a result.

If you are looking to add qualified SSAs or recognised SS(PRAC)s to your candidate lists then please contact Lucie Hanuskova on her email below and ask how we can help you. Currently there is no fee for this service.

Lucie.Hanuskova@sharedservicearchitects.co.uk

Safety in Numbers: The cost of sharing professional posts

Alasdair Robertson MA, AORS, SSAf, is a recognised Shared Service Architect Fellow for his contribution to shared service mathematical modelling.

He lectures on the Postgraduate Certificate in Shared Services at Canterbury Christ Church University and is co-author of the Shared Service Architect's Business Case Toolbox.

You may want to store this in your Highway Code Folder

Two key headlines appealed to my mathematical inclination at the beginning of this year. The first was in an interview with Ian Brinkley, director of The Work Foundation.

He referred to an NAO report in 2012 in which public vs private sector comparisons highlighted that the public sector employs roughly twice as many professionals and associate professionals, and less than half the number of managers, proportionately, as the private sector.

He wrote that:

- Approximately 5% of the public sector workforce are managers, compared with 12% in the private sector workforce
- 38% are professionals compared with 13% in the private sector
- 16% are associate professionals and technical staff compared with 13% in the private sector

Ergo, if such a large number of the public sector staff (including councils) are professional and technically skilled, then it must be a costly exercise to hire them in on temping contracts.

For example in some recent work I have been doing, an average planning officer on an average wage, costs around £200 per day including on-costs.

Compared to that a planning officer temp fees start at around £300-£350 per day, so at least 50% more.

Back-filling the redundancies

A few days later this headline slid into my email box: "*Local authorities rely on temporary workers to fill positions*"

The story reports that, *"Local authorities are using temporary labour to fill redundant or vacant positions across departments such as IT, procurement, HR and legal, according to figures from Comensura's Government Index.*

The Index finds that in the final quarter of 2012, temporary labour usage by local authorities decreased by 0.1% - the lowest decrease of last year. However, temporary positions increased by 34% in IT, 31% in legal and 19% in professional job roles.".

In other words, it's in the more expensive categories of staff (the professionals) that the number of more expensive temporary and contract staff has increased.

Anecdotally, a lot of people are also saying that capacity is becoming sorely stretched among the so-called 'non jobs' of senior managers and experts in transformation and back office services, with more authorities turning to specialist interims to deliver key priorities too.

So can sharing employed professionals, be a way of reducing costs?

In the Shared Service Architect's Business Case Toolbox[1], we examine this in closer detail on page 142, in the section on *Insourcing Temporary Expert Advice.*

This approach does apply when, as the article suggests, spend on external advice or specialists is high. Typical examples include paying temporary planning, legal, or specialist managers for periods of more than one month at a time.

Hiring in specialist temporary staff on daily or hourly rates typically costs between 3 and 4 times as much as employing a member of staff full time, or 2 to 3 times for experienced interims.

They are convenient to use for very short periods to back-fill posts, compassionate leave, or when specialist input is needed, but not

[1] You can download example chapters from the book at www.sharedservicearchitects.co.uk

Don't get me wrong. Two or more organisations sharing a professional is not a new idea. But it is now a more relevant approach than ever, to retaining experienced staff at an affordable cost.

often enough to justify a long term internal post.

However, if a number of partners are each using similar temporary staff, then an 'easy win' for a collaboration or shared service is to reduce that external spend by collaboratively employing professionals.

Don't get me wrong. Two or more organisations sharing a professional is not a new idea. But it is now a more relevant approach than ever, to retaining experienced staff at an affordable cost.

It doesn't require too much effort to achieve either. It needs someone to aggregate the demand for the service across the partners and then to determine if the demand is sufficient to recruit an expert to a full-time, shared post.

What are the first steps to sharing a professional post?

At a basic level this technique involves a review of the external spend of all the partners on high level temporary posts. Then taking a look forward at what skills will be needed to deliver the current and planned corporate projects.

You can categorise them into items that could potentially be shared and those that are truly unique or one-offs.

Then the shared work is grouped into skill sets to see if a shared post is viable.

External hourly rates are calculated where possible. This can be a little complicated if suppliers bill you for the task, rather than by the hour and may require insider knowledge from the sector to develop comparative cost estimates.

You might be able to do that by looking at temp website contracts being advertised and note the hourly, or daily, rate being offered to the candidates by the agency.

Internal staff hourly rates are calculated by taking salary, NI and pension costs and dividing this by productive hours.

Productive hours take account of holidays, leave, non-productive time for training, appraisals etc.

A figure of 0.65 to 0.7 x working hours might be a typical result.

The difference between internal hourly rate to external hourly rate multiplied by the amount of work that could come in gives the potential benefit.

Usage trends should also be examined to confirm the potential for an internal post. For bigger services forecasting future demand may well be appropriate.

How easy is it to do?

Most of the data gathering can be carried out in-house, possibly by finance or procurement staff. HR staff can help with job design.

Maybe in more complex cases, procurement or consultancy support may be needed for analysis, but in general this is an achievable in-house task.

You may also want to discuss how the employment contract is set up, with your HR advisers. For example is it that one of the partners employs them on the basis of providing the individual as a "lead organisation" in a relationship?

You could also take a similar approach to sharing rare experts too. This is a situation where specialists spend only, say, 50% of their time working on their specialism and the rest doing other work.

Partnering organisations could share them and the professional would be able to focus on their specialist skill 100% of the time.

Changing TUPE
Is this the excuse BIS is looking for?

If the employees were right, it would mean that Parkwood would have to pay its staff at rates set by a negotiation that Parkwood cannot participate in, and potentially provide back-pay to cover any deficit in their income.

The essential principle of TUPE is that when you are transferred to a new employer, all your terms and conditions (with the exception of future pension rights) move with you.

So just imagine if your terms and conditions included a link to collective pay agreements that your previous employer had arranged. Would the terms of that collective pay agreement accompany you to the new employer too?

It would mean that if there was a pay rise in the old employer as a result of the collective bargaining arrangement, your pay from the new employer would have to go up accordingly. It offers a vision of two pay rises a year - one from the new employer, and a second one triggered under TUPE by the terms of the old employer.

Bring on the Alemo-Herron v Parkwood Leisure Ltd Case C-426/11…

The background is that a number of former Lewisham Borough Council workers were transferred to the private sector in 2002, when Lewisham contracted out its leisure services.

Up until 2002, their public sector contracts of employment had included clauses whereby their pay and conditions were negotiated by the National Joint Council for Local Government Services (NJC). After 2002, the employees were in the private sector, and a further transfer brought them into the employment of Parkwood Leisure Limited.

Here is a key point. As a private sector business, the new employer, and subsequently Parkwood Leisure, could not participate in National Joint Council for Local Government Services' negotiations. But, they carried on pay rises in line with NJC negotiated increases until 2004.

In 2004 a new pay deal was put forward by the employer which did not reflect the value of the NJC equivalent rise in Lewisham Council.

So the employees argued that their pay with Lewisham was set by the National Joint Council for Local Government Services, therefore, under the protection of TUPE rules their future pay should be set by the NJC too.

If the employees were right, it would mean that Parkwood would have to pay its ex-Lewisham staff at rates set by a negotiation that Parkwood cannot participate in, and potentially provide back-pay to cover any deficit in their income.

Let's go talk to the Advocate General

The case has been ricocheting around the employment tribunal for at least the last 18 months, but seems to have reached a new stage.

The employees' case was originally dismissed but then reinstated on appeal. Then the Court of Appeal found in favour of the employers again, but (with more complex detail than is given here) the Supreme Court referred it for a preliminary reference to the Advocate General.

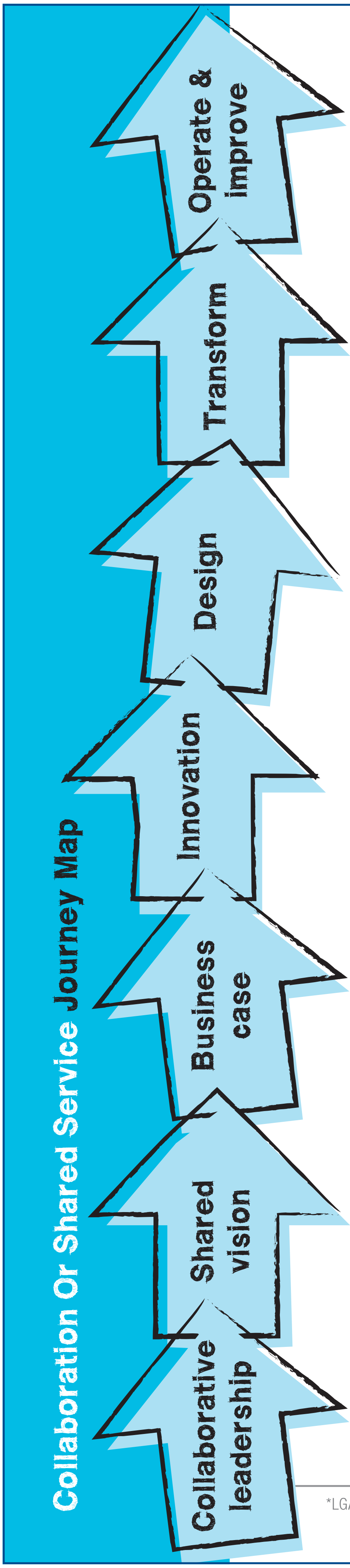
His position addressed the issue of whether the employer's rights had been breached, as they could not join in the process for collective bargaining they had inherited.

The Advocate General found that national legislation which requires the transferee to accept the existing and future terms and conditions agreed by a collective bargaining body is not precluded as long as the requirement is not "unconditional and irreversible". He has returned it back to the UK courts to assess whether this particular case breaches that test.

During this year, TUPE is being reviewed in England by BIS and Sean Jones QC, sees the Parkwood case as serendipitous. He writes on his blog that:

"The likely effect, therefore, is that should the CJEU do what many expect it to and endorse the Advocate General's opinion, the ability of private sector employers to take control of their own pay negotiations will depend on the Government stepping in to restrict the protection for employees to the minimum the [TUPE] Directive allows. By happy chance, that is what the Government purports to be determined to do in any event."

We will keep you in touch with the outcomes in the next edition.



Collaboration and Shared Services
Leadership From The Top

Recent reports* illustrate that Councillors or Board Members lacking a history of collaborations and shared services, could repeat the very expensive mistakes of the past.

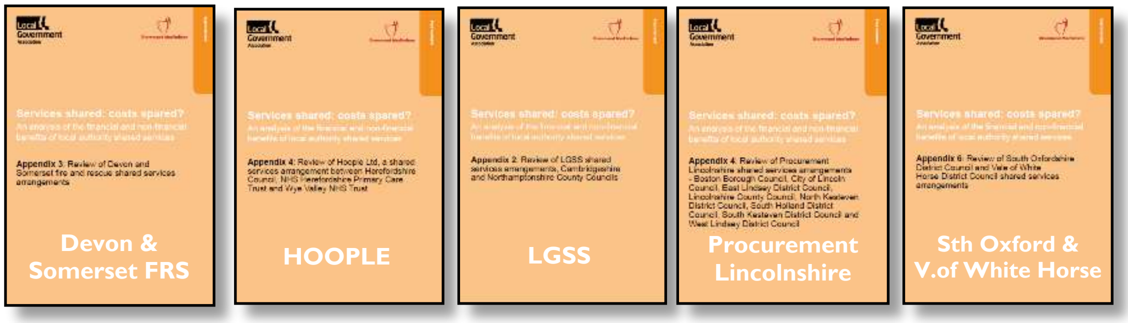
Yet in just two hours, you can equip them with the knowledge to work effectively in the highly complex space of collaboration and shared service activity, and avoid gambling with the success or failure of their involvement.

This two hour, in-house session, will help your Councillors or Board Members to explore how to be strategically effective when stepping into collaboration or shared service activity.

Email Manny.Gatt@sharedservicearchitects.co.uk for full details of the session and the fees

*LGA (2012), NAO (2012), HEFCE (2012), AoC (2011), LFHE (2011), LGA (2011), NLGN (2011), CIPFA (2010)

What are the ten key findings of the five LGA shared service reviews?



In late Summer 2012 the Local Government Association published a set of five shared service case studies that are worth reading, or revisiting, if you are developing a shared service at the moment.

The Feb 2013 announcement of a £9.3m reward grant for councils who develop shared management and shared service projects may well get leaders dusting down their stalled business cases of recent years.

And there are plenty of those about. It has been estimated that possibly over £2m of RIEP money was spent on council shared service projects that failed to make it beyond a business case - mainly for political reasons.

So in the context of the revitalisation of shared service activity expected across this year in response to the money, it is time to equip ourselves with evidence, and case studies, of success.

In late Summer 2012 the Local Government Association[1] published a set of five shared service case studies that are worth reading, or revisiting, if you are developing a shared service at the moment.

They also provided a very simplistic, free Excel spreadsheet for calculating benefit realisation if you do not have a budget to pay for the slicker ones such as *VERTO* or *i-three* tools.

The five case studies provide a diverse range of shared service settings:

- **Local Government Shared Services** (LGSS) - two counties (Northamptonshire and Cambridgeshire) partnering since 2010
- **Vale of White Horse and South Oxfordshire** - two districts sharing management since 2008.
- **Procurement Lincolnshire** - districts and counties in collaborative procurement from 2008
- **Devon and Somerset Fire & Rescue Authority** - a merger of the two FRAs in 2007
- **HOOPLE Ltd** - a shared council, primary care trust and NHS trust back office implementation in 2011 *(see page 11)*

What benefits are evidenced?

The case studies are helpful in providing evidence of cash and non-cashable benefits of the collaborations.

A summary is provided in the overall report. For example it cites that:

There are clear financial benefits to be delivered from sharing services. In the early stages the savings are mainly from staff reductions as duplication is removed and structures merged.

For example, LGSS achieved savings of £3.79 million from its total budget of £83 million in its first full year of operation by consolidating management *positions and making other economies of scale efficiencies.*

The Vale of White Horse and South Oxfordshire achieved staff savings of £3.9 million from its starting budget of £19.9 million in the first two years of sharing services.

Savings have also been achieved through integrating IT systems, rationalising buildings and accommodation and improving procurement practice.

[1] LGA (2012) *Shared Services: Costs Spared.* www.local.gov.uk

Not all the projects had the baseline financial and performance information essential to make the case for change and track the benefits.

For example, LGSS delivered savings of £1.8 million by renegotiating the contract with its IT supplier and in 2012/13 expects to make savings of £3 million from the re-procurement of the Cambridgeshire IT network and £936,000 from reduced property costs.

Procurement Lincolnshire has made direct savings from improved procurement of £9 million in its first three years of operation, from a total procurement budget of £194 million per year prior to its inception.

The set-up and integration costs for each shared service arrangement were modest, with all succeeding in delivering a payback period of less than two years.

The investment costs ranged from 18 per cent to 59 per cent of the savings in the first two years and were typically comprised of redundancy, implementation team, rebranding costs and IT expenditure.

What are the key findings?

The overall report lists 10 key findings:

1. Clear financial benefits can be made from sharing services. Savings are achieved through consolidating organisation structures, integrating information technology, reducing accommodation, and improving procurement.

2. Early savings are made by reducing staff – removing duplication and management posts.

3. These initial benefits are typically delivered rapidly with strong top-down leadership.

4. As shared services mature and evolve they are able to benefit from wider business transformation – such as better use of IT and assets, improved processes and cultural change programmes.

5. The set up and integration costs for merging services were modest with less than a two year payback period for all the shared service arrangements.

6. Not all the projects had the baseline financial and performance information essential to make the case for change and track the benefits.

7. Despite this, it appears that the shared service arrangements have succeeded in providing the same or better levels of performance at less cost.

8. Good performance against organisations' key performance indicators are complemented by good staff indicators – such as high staff morale, low staff sickness and low turnover rates.

9. Rapid implementation of shared service arrangements helps build momentum for change.

10. Expanding established shared services to provide services for other public sector partners in a locality is a useful way to generate income and ensure efficiencies through greater economies of scale.

How could you best use these reports?

Firstly you can add the five partnerships to your "Who can help me?" little black book of contacts, of those who already have knowledge that could be helpful to you[2].

Secondly you could add them to your repertoire of example case studies for use with *Tool 1.03: The drivers for change that powered existing shared services* in the Shared Service Architect's Trust & Shared Vision Toolbox.

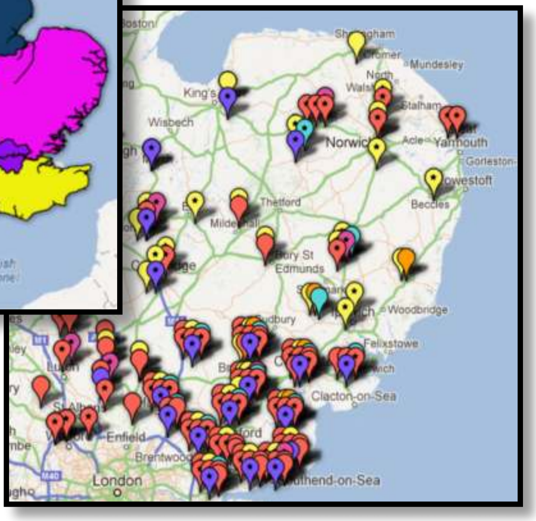
[2] See tools 0.03 in the SSA Toolbox and 0.02 in the SSA Business Case Toolbox

LGA relaunch the shared services map with an additional 65% partnerships

"In the last year alone we have seen the number of councils sharing services grow by 65 per cent, bringing the total savings for council tax payers to more than a quarter of a billion pounds."

The Local Government Association released an updated version of their shared services map in January 2013.

The map is divided into the 9 regions. Clicking on a region allows you to drill down into more detail for that area



The revised map shows that council partnerships have yielded savings in excess of £250m on a wide range of front and back office services.

The LGA, with support from Shared Service Architecture, emailed councils and practitioners across England and asked them to submit details of their shared service.

The project leads from 281 collaborations who submitted their partnerships' details which enabled the LGA to show the 337 councils involved.

The shared services map illustrates that almost 95% of local authorities are involved in joint working to make savings, and in many cases have been doing so for at least five or six years.

The LGA quote a number of unusual examples, *'Councils are continually striving to find new ways of sharing services, for example, Northamptonshire, Cambridgeshire and Hertfordshire councils set up the first tri-county banking service in the UK which is expected to save £574,000 over the next five years'.*

Cllr Peter Fleming, Chairman of the LGA's Improvement and Innovation Board, gave more background:

"Over the last five or six years councils have really developed the concept of sharing services as a way of improving efficiency and saving money. In the last year alone we have seen the number of councils sharing services grow by 65 per cent, bringing the total savings for council tax payers to more than a quarter of a billion pounds.

The new map really helps to illustrate the huge scale and range of shared services across local government. However, it also highlights that sharing services is not enough to make up for the sheer scale of the funding cuts being imposed by government. By their nature, efficiency savings become harder to make not easier.

Local government was already the most efficient part of the public sector before the spending review, and councils have worked hard in response to widespread budget cuts to continue to deliver hugely valuable services with less money and minimise the knock-on effect on communities. We hope that the shared services map can help provide some inspiration for other areas of the public sector as they look to follow the lead of councils and save millions from the public purse."

The shared services map can be accessed at **http://tinyurl.com/aa96n4d**

VAT cost sharing exemptions and the '85% directly necessary work' test

You should add this to the existing section on VAT Cost Exemption in your Highway Code folder.

Steve Butcher, Head of Procurement at the Higher Education Funding Council for England, says that he expects several universities to announce their own "cost sharing groups" (CSGs) when rules about VAT exemption are clarified in May[1].

Also, beyond the HE sector, VAT cost sharing exemption groups are likely to begin to appear as shared service vehicles, when the consequences of the new rules in the 2012 Finance Bill come into play this year.

HMRC refers to them as CSG (Cost Sharing Groups) and just to remind you, they are made up of non-vatable organisations who come together to develop shared service activities.

The sectors that probably most interest a Shared Service Architect or Practitioner are :

- Housing
- Further Education
- Higher Education
- Health
- Charities
- Voluntary Groups
- Some Social Enterprises

Although the brief from HMRC is reasonably clear, it was written back in 2012. All evolving tax law is subject to clarification and sometime change. So you should seek professional tax advice to ensure you are up to date with the newest interpretation of the law.

HMRC makes it clear that a key factor for CSGs is that the services they provide to their members must be 'directly necessary' for their exempt and/or non-business activities.

If they are not, the exemption does not apply and the supplies are subject to normal VAT rules.

Although the brief from HMRC is reasonably clear, it was written back in 2012.

All evolving tax law is subject to clarification and sometime change. So you should seek professional tax advice to ensure you are up to date with the newest interpretation of the law.

[1] Times Higher Education, 7th March 2013

How 'necessary' is 'necessary'?

Much of the following detail about what is necessary, is taken directly from the Revenue & Customs Brief 23/12[2] and explains the addition of the new *Group 16* to Schedule 9 of the VAT Act 1994.

So, what do HMRC say in their briefing note about what 'necessary' means?:

The word 'necessary' used alone could be interpreted on the basis that any supplies used for a CSG member's exempt and/or non-business activity would be entitled to exemption.

However, the word 'necessary' is, in this case, qualified by the use of the word 'directly' meaning that the supplies received from the CSG must relate 'directly' to the exempt and/or non-business supplies made by the CSG member in their own right.

Fortunately, HMRC has adopted a methodology for identifying services that are 'directly necessary' which has been developed with stakeholders during the consultation process in order to provide a simple and pragmatic way of identifying qualifying supplies.

If CSGs wish to suggest alternative methodologies HMRC will give them full consideration but will want to be satisfied that there is a direct and exclusive link with the exempt or non-business activity on which the qualification depends.

HMRC stresses that: …businesses and organisations considering forming CSGs should note that recently the EU Commission have commenced infraction proceedings against Luxembourg for, among other things, their application of the 'directly necessary' condition, which is similar to the 'simplification' option offered by the HMRC in this guidance[3].

The Commission are seeking to establish the principle that 'directly necessary' services are those

[2] http://www.hmrc.gov.uk/briefs/vat/brief2312.htm
[3] See Q40, point 2

An option for you, is, with professional tax advice, to set up a checklist of qualifying criteria for your CSG.

that are used 'exclusively' by CSG members for their exempt and/or non-business activity.

The matter has been referred to the European Court and HMRC suggest, *"It could perhaps take several years to come to a conclusion, although it may conclude sooner.*[4]*"*

They go on to say that they will, *"…monitor the process and consider whether or not at any stage any changes need to be made to this guidance. Should changes prove to be necessary, then transitional arrangements, as far as possible, will be put in place to facilitate an orderly move to the revised position."*

This emphasises the point that in a fluid development of tax law, professional advice will be required. Hopefully this can be acquired through sector-shared procurement of tax advice, thereby reducing legal fees.

HMRC will accept services are directly necessary if they are identified using the following methodology:

1. Only supplies of services received from a CSG that can be 'directly attributable' (using partial exemption methodology) to the member's exempt and/or non-business activities will be regarded as 'directly necessary' and therefore qualify for the exemption.

2. Expenditure on services received from a CSG that is attributable to both taxable and exempt and/or non-business activities **<u>will not qualify as being 'directly necessary'</u>** as they are NOT linked exclusively to the exempt and/or non-business activities of CSG members and will consequently be subject to their normal VAT treatment.

3. On an, optional, simplification basis, where a member of a CSG has wholly exempt and/or non-business activities or low levels of taxable activity, all the supplies they receive from a CSG will be regarded as 'directly necessary' for those exempt and/or non-business activities.

4. A low level of taxable activity for the purposes of this test is less than 15%, so, where a member of a CSG has exempt and/or non-business activities that form 85% or more of their total activities, all the supplies they receive from their CSG will be regarded as 'directly necessary'.

[4] Don't you just love Civil Service 'hedge your bets' language?

A member receiving supplies from the CSG of which they are a member will have to:

- have made 85 per cent or more exempt and/or non-business supplies in the immediately preceding 12 months
- or completed partial exemption year end prior to their membership of a CSG (the backward look),
- or have a intention in the 12 months immediately following joining a CSG to make 85 per cent or more exempt and/or non-business supplies (the forward look)

Once this test has been met the qualifying member will be entitled to receive all of their supplies from the CSG exempt for as long as their level of exempt and/or non-business supplies remains at 85 per cent or more.

Setting up your CSG checklist…

An option for you, is, with professional tax advice, to set up a checklist of qualifying criteria for your CSG.

We have created an example on the opposite pages. It is only an example and should not be adopted by you verbatim for two reasons:

Firstly, <u>your partnership</u> must work to co-create a checklist. It is part of the importance of joint working and the process of gaining partner buy-in. Imposing a checklist on a partnership can be ineffective and they are most likely only attribute value to one they have contributed to.

Secondly, by the time you read this article the law may have moved on and therefore the HMRC quotes above, may no longer be accurate.

Please let us know you experience in setting up CSGs, so we can share it with other Shared Service Architects and Practitioners.
Email:
Dominic.Wallace@sharedservicearchitects.co.uk

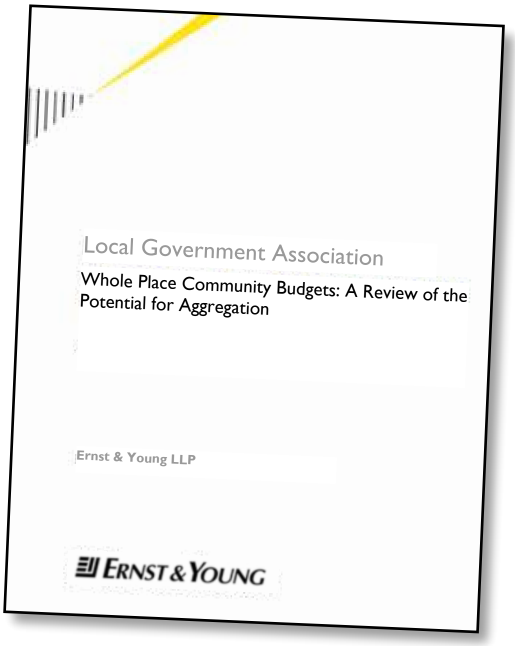
Here is an example of a checklist that your partnership could co-create with help from a professional VAT adviser to test that each potential member of a VAT cost sharing exemption group is eligible to belong to it.

Example CSG Checklist Questions	All answers are required to be "YES"
Are the supplies of services received from the CSG 'directly attributable' to the member's exempt and/or non-business activities?	
Can they be regarded as 'directly necessary' and therefore qualify for the exemption?	
Is any of the expenditure non-qualifying because it is not linked exclusively to the exempt and/or non-business activities of CSG members?	
Does a member of the CSG have exempt and/or non-business activities that form 85 per cent or more of their total activities?	
Have all the members of the CSG: • *made 85 per cent or more exempt and/or non-business supplies in the immediately preceding 12 months or completed partial exemption year end prior to their membership of a CSG (the backward look)?* • *or have the intention in the 12 months immediately following joining a CSG to make 85 per cent or more exempt and/or non-business supplies (the forward look)?*	
Will the CSG members maintain their level of exempt and/or non-business supplies at 85 per cent or more?	
Etc….	
Etc….	

This table is provided as an example only and professional advice should be taken on this new area of tax law.

Could community budgets save the public sector up to £20bn?

Community budgets work by bringing together public sector money and resources in local areas to give authorities like councils, the police and health service the freedom to integrate their work and design services around the needs of people who use them.



Local Government Association

Whole Place Community Budgets: A Review of the Potential for Aggregation

Ernst & Young LLP

Ernst & Young

An analysis published by the Local Government Association claims that savings, well beyond anything front or back-office shared service projects have to offer, can be made through community budgets.

Modelled by Ernst & Young, their report illustrates how £4 billion of public money could be saved every year, for five years, by restructuring the way public services are provided and paid for in England.

The results of a year-long pilot of community budgets, modelled to a national level by Ernst & Young, show that devolving more decisions to local areas would provide better services and save between £9.4 billion and £20.6 billion over five years across local and central government.

Community budgets work by bringing together public sector money and resources in local areas to give authorities like councils, the police and health service the freedom to integrate their work and design services around the needs of people who use them.

They mark a fundamental shift away from the traditional public sector method of cascading funding of services by government departments into their respective sector silos.

The report confirms that these substantial savings will be achieved if there is fundamental reform of the funding of public purpose activity. Reforms on such a scale would require upfront investment and it would take several years for the full extent of savings to materialise. But more than that, there would have to be a reform of the central government departments, with less ministerial control.

For example the report calls on Government to:

- enable local changes to NHS funding formulas
- give local areas more choice on the skills-related training courses they fund
- removing red tape barriers to joint working between organisations
- make all relevant central government departments commit to devolving budgets and decisions down to local areas

Is this Total Place by another name?

You would be right if your memory reached back to the last Labour Government's introduction of the same concept under the name 'Total Place'.

You gain even more points if you remember the 'Calling Cumbria' and 'Counting Cumbria' projects which set out in April 2008 as the first of their kind to blur the working boundaries of the public purpose agencies in the county.

By August 2009 there were 13 projects in play across counties and unitaries in England with a wide range of focus.

"Shaping public services around the people who use them rather than the organisations which provide them makes better sense for everyone. It means people get better, more joined-up services and taxpayers get better value for money."

Birmingham set out to examine its health, housing and crime, including services for people with learning difficulties, mental health, outcomes for children leaving care, guns and gangs, and how the city tackles drug and alcohol misuse.

Bradford looked at supporting people back into independence such as young people leaving care, young offenders leaving prison, and older people leaving hospital.

Kent explored how people could get better access to services through the web, or by phone, and whether the public sector players could generate savings by sharing buildings or pooling resources in the most deprived areas.

By the end of 2009, each of the 13 pilot areas had produced 'deep dive' financial reports and business plans were published and presented to Ministers, CLG and Treasury.

Then in March 2010 CLG and Treasury published *'Total Place: A whole area approach to public services'* with the introduction:

The Total Place initiative sets a new direction for local public services and local authorities, with a range of freedoms that define a new relationship with Government. It has shown how, through bold local leadership and better collaborative working, it is possible to deliver services which meet people's needs, improve outcomes and deliver better value for money.

The Total Place approach – putting the citizen at the heart of service design - has helped opened the door for local partnerships to discover what can be done to improve the system and to push forward great, innovative, ideas and solutions to change the way services are delivered. It has meant looking for new ways of co-operation, at local level and between local level and Whitehall..

But it was really like the chairman of the football club stating publicly that the manager has their full support.

Within months it all seemed to go quiet on Total Place as the Coalition Government became distracted by the economic collapse they were inheriting.

Attempting to cut budgets, and re-organise at the same time has rarely proved as successful as, either cutting budgets <u>or</u> investing in re-organisation. Total Place demanded substantial investment in re-organisation and that was unlikely to happen.

Community Budgets emerged in 2012 as the new name for Total Place and four pilot projects grew from the ashes of the 13 original plans.

Their results have been published and it is from those results that Ernst & Young have extrapolated the numbers to come up with the £4bn a year savings figure.

Where will the savings be made in community budgeting?

Ernst & Young estimates are that local services would make a fifth of the potential savings, the remaining 80% would be saved by central government departments and agencies.

The LGA has previously warned that councils – which have borne the brunt of the Government's spending cuts – will be unable to sustain a further squeeze to their budgets without fundamental reform of the way services are delivered and paid for.

But the report suggests that savings made through community budgets would help the police, NHS and other services manage cuts, so maybe they can take some of the pain.

In summarising the report, LGA Chairman Sir Merrick Cockell sees Community Budgets as an innovative opportunity:

"Shaping public services around the people who use them rather than the organisations which provide them makes better sense for everyone. It means people get better, more joined-up services and taxpayers get better value for money."

Whole Place Community Budgets:
A review of the potential for aggregation
can be downloaded from www.local.gov.uk

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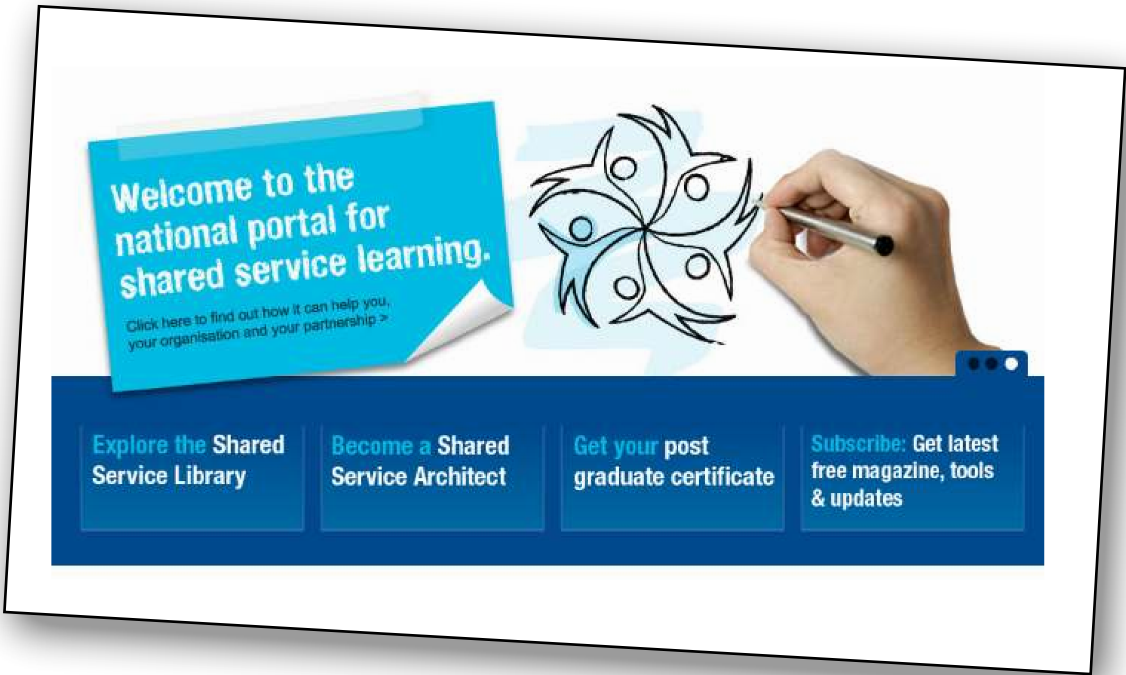


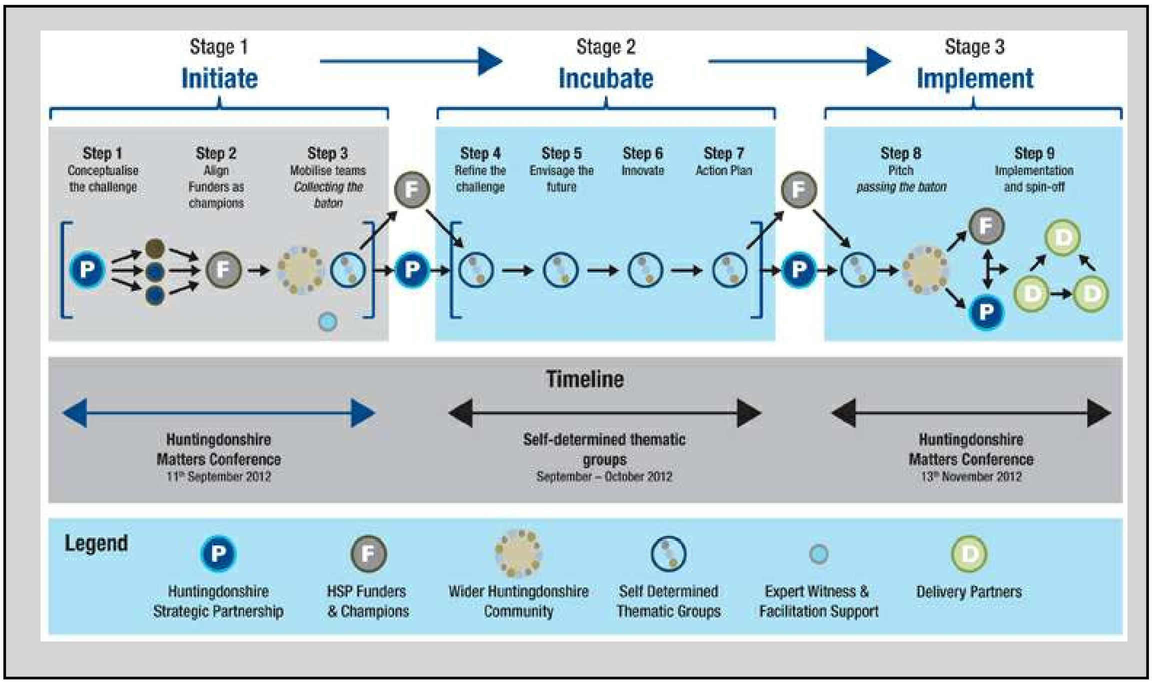
To help you get the most from the taught sessions, mentoring and computer based modelling services on offer we have totally revised the Shared Service Architect's website.

The major changes you will notice are:

- Access to 22 areas of shared service learning and activity to help you get the most for you, your organisation and your shared service partnerships
- Download free tools, templates, booklets and guides and a PDF copy of this magazine to share with colleagues
- A better library layout, linking you to over 700 reference documents, and a wider range of search options to refine your search
- You can purchase books and reserve your place on a seminar too

www.sharedservicearchitects.co.uk

Collaboration Incubators - A new way of building powerful partnerships



Manny Gatt MD of Shared Service Architecture explains the Collaboration Incubator pilot.

The roman poet Horace was quoted as saying "*Adversity reveals genius, prosperity conceals it*", or as we might more commonly say "*Necessity is the mother of invention*".

However we choose to phrase it, the recent budget and reality of austerity measures lasting a decade is focusing the minds of political leaders and humble families trying to make ends meet.

George Osborne said during his Autumn Statement "*we are all in this together*" and with this sentiment very much in mind, councils, colleges, housing associations, blue light services, the voluntary sector, faith groups, businesses, communities and individuals are beginning to explore new and imaginative ways of working together.

Some of this has been driven through policy initiatives by government such as the 'community budget' pilot being tested at neighbourhood level (check out One Haverhill), or in whole place pilots such as Greater Manchester.

Blurring the lines between partners

Others not wishing to wait on the outcomes of these pilots are taking the initiative. A good example of this is Huntingdonshire Matters, a community engagement strategy led by the Huntingdonshire Strategic partnership (HSP).

Huntingdonshire Matters is a new approach to community engagement and action.

Instead of pooling budgets, the partners seek to blur the lines between themselves and the wider community, making joined up working easier, more natural and more effective.

The approach is based on a number of key principles that govern the way the Huntingdonshire Strategic Partnership and its

The conference was designed as if it were an exhibition, with each of the eight community challenges having their own stands.

community work together. They have encapsulated these principles into a series of commitments to the wider community.

A driver of the Huntingdonshire Matters journey has been the adoption of a new approach to community engagement, action and capacity building.

Underpinning this new approach is a structured methodology introduced by Shared Service Architecture called ‘Collaborative Incubators’.

Incubating community ideas

Collaborative Incubators is a highly inclusive, flexible and networked approach that places greater emphasis on commitments and energy making a difference, rather than the traditional target driven public sector culture.

At its core is the concept that the community ‘incubates the ideas’ and the partnership seeks to find a permanent home for them. This is either by mainstreaming the ideas within existing provision, or building the community’s capacity to deliver them.

Collaborative Incubators is a systematic yet intuitive approach to community engagement and action. It has three distinct phases:

Stage 1 – Initiate

The Initiate Stage has three steps:

Step 1: Conceptualise the challenges facing our community.

For Huntingdonshire Matters this meant the launch of a dedicated website and a kick-off event held on 20 June 2012, which began the process of conceptualising the challenges facing the community.

In the Huntingdonshire example, over 50 advocates volunteered to engage the wider community to identify their challenges and issues. In doing so eight key community challenges were identified.

Step 2: Align the strategic funders behind these challenges.

The members of the Huntingdonshire Strategic Partnership (and therefore funders or providers of resource) are Huntingdonshire District Council, Interfaith Groups, the Hunts Forum, Cambridgeshire Fire and Rescue, Cambridgeshire County Council, Huntingdonshire Regional College, the NHS and Cambridgeshire Constabulary. As a group they committed to working together with the community to address these challenges.

Step 3 – Mobilising the teams.

The Huntingdonshire Matters Conference was held on 11 September 2012. The conference was designed as if it were an exhibition, with each of the eight community challenges having their own stands.

Over 150 people, from across the community and partners, attended the event, shared their concerns and prioritised the three most crucial issues confronting their community. For example young people issues, older peoples concerns, and skills deficit.

49 volunteers from the event agreed to participate in teams to work on these three issues and the baton was passed to them to explore and incubate new ideas across the three priority themes.

The self-determined thematic groups supported by subject area experts and external facilitation (from SSA) explored and developed the solutions that best fit their communities.

Stage 2 - Incubate

The incubate stage is all about innovation, creativity and problem solving.

The self-determined thematic groups supported by subject area experts and external facilitation (from Shared Service Architecture) explored and developed the solutions that best fit their communities.

To achieve this, a structured approach to innovation and problem solving was adopted consistently across all the thematic groups. The innovation cycle adopted has four steps:

Step 4 - Refine the challenge.

Recognising that the definition of the problem will be the focal point of all their problem-solving efforts, the group's first task was to fully understand and as a consequence re-define the 'actual' problem they seek to address.

Step 5 - Envisaging the future.

The next step for the group was to create a goal statement that provided a vision of what a successful solution might look like.

Step 6 - Innovate.

With the problem clearly defined and a sense of direction and ambition agreed, the group began the innovation journey, identifying new ideas and innovative ways of working that had the potential to meet their challenge.

Step 7 - Action Plan.

Then they prepared an action plan. This would act as an elevator pitch for their ideas which they presented at the 13 November 2012 Huntingdonshire Matters Conference.

Stage 3 - Implement

The implementation stage has two steps:

Step 8 - Pitch

Over 120 people attended the 13 November conference, to hear the three work groups present their ideas to the Huntingdonshire Strategic Partnership and the wider community.

Here the *baton was passed back* to the Huntingdonshire Strategic Partnership partners who committed to explore the best way to mainstream these ideas and turn them into actions.

Step 9 - Implementation and spin-off

The final step in the journey took take place on 28 February 2013 when the Huntingdonshire Strategic Partnership reported back to the wider community on mainstreaming the chosen ideas and exploring new areas for collaborative working.

Tangible outcomes…

Feedback on the Collaborative Incubator process, from the wider community, the volunteers who participated in the incubator groups and the wider partnership, has been very positive.

As a result the Huntingdonshire Strategic Partnership has agreed a new memorandum of understanding. They have agreed to embed Huntingdonshire Matters, and the application of Collaborative Incubators, as their common approach to community engagement, and committed to phase 2 of its development.

In that phase it will seek to build community capacity and civic leadership, widen participation on the Huntingdonshire Strategic Partnership board and roll out the community engagement process to include welfare reform.

To explore setting up a Collaboration Incubator for your community led activity contact Manny.Gatt@sharedservicearchitects.co.uk

Are collaboration and sharing replacing traditional outsourcing?

John Tizard is the Director of Collaborate at London South Bank University

With major savings required as a result of the Government's public expenditure policy, local authorities and others have to find new solutions and new service models. Traditional outsourcing is not always seen as the right solution.

Over the last couple of years, I and some others have been arguing that the traditional model of public sector outsourcing has reached the end of its natural life – or if not, is very close to it.

There is some outsourcing but, in spite, of continued political, consultant and media pronouncements on the potential for savings through traditional outsourcing, the surge has not occurred.

There has certainly not been a 'tsunami' because increasingly, the evidence is growing that a view that 'the traditional model of public sector outsourcing has reached the end of its natural life' is shared by some, if not most, public sector senior managers and local government political leaders do not see outsourcing as meeting their needs.

There would appear to be several rational explanations for this:

- traditional outsourcing does not produce immediate savings (if any at all) and the immediate need has been to find in-year savings for the Spending Review period 2010 – 2013
- the primary need has been for major service re-design rather than delivering the same more cheaply, plus the desire for flexibility to allow for further change
- the procurement process tends to take a long time, costs a great deal of money and has a significant opportunity cost at the very time when the public sector is trying to find quick savings
- in a period of long term uncertainty, there is a natural and understandable reluctance to constrain budget flexibility by locking elements of expenditure into long term inflexible contracts
- there has been a public and political 'mood switch' in respect of the ethos and capability of the private sector after the high profile banking and other scandals – even if these did not directly involve the majority of outsourcing companies
- the view that with outsourcing, ultimately risks remain with the public sector

Also, there is an urgency to identify, develop and try innovative approaches including: new forms of service commissioning and delivery; new collaborative models involving the public, social and business sectors; and new relationships between the state and the public – the public both as service user and citizen.

These new models will include:

- collaboration between the public and social sectors; and between the business and social sectors
- in-sourcing business and third sector expertise and experience to the public sector without the transfer of control and staff, and with some of the business sector's reward being at risk from performance

Collaborate's website is at www.collaboratei.com

Collaborate is a, community interest company based at London South Bank University with whom it partners.

- social enterprise and co-operative 'spin outs'
- in some areas, more co-design and co-production of services involving individuals, collective groups and communities
- local authority exchange and sharing of capacity and expertise
- shared services – sharing between local authorities or between them and the wider social and public sectors

There are many successful examples of shared services but many may be sub-optimal and others may not be realising significant savings and/or service improvements or even service resilience.

There are major barriers to achieving effective collaboration and sharing.

These can be structural or relate to governance but most are behavioural. Often, when attempting to collaborate or share people do not take the time or effort to invest in building relationships.

The necessary leadership willing to cede and share resources and power is absent. There is often a lack of shared vision and objectives.

Collaboration and indeed sharing are the same as merger, or even convergence between the sectors, or the takeover of one by another. Nor can they be based on a traditional contracting model.

We need to understand what is required to make collaboration and sharing effective. This is why we have established Collaborate to act as a hub of new ideas, ground breaking policies and leading-edge practice, a centre of leadership and skills development and a forum for conversation, debate and problem-solving between the business, social and public sectors.

Collaborate will design and undertake all its programmes on a cross-sector basis.

Collaborate is a community interest company based at London South Bank University with whom it partners.

It also collaborates with practitioners, academics and policymakers in the UK and internationally, pursuing a strategy overseen by a council comprising leaders from all sectors.

It will undertake research, enquiry, share of good practice, provide a 'space' for discussion and solution solving; and provide development programmes for practitioner

It hopes to work with our colleagues at Shared Service Architecture to support practitioners to make a difference for their communities.

Co-opetition - What can you learn from Taiwanese supermarkets?

...if you can understand how to structure co-opetition environments... then you may help create new, innovative and highly effective partnerships that others feel are not possible.

In Assignment 2 of the Postgraduate Certificate in Shared Services, students undertake a 4,000 word literature review of a topic in the field of *Inter-Organisational Relations* - the academic study of collaborations and shared services.

A frequent choice is the study of *co-opetition*, a relationship where organisations that traditionally compete fiercely with each other for customers, can at the same time share common functions distant from the customer.

For example, UK universities and colleges compete fiercely for students. At the same time they co-fund UCAS[1] a shared service which manages the student applications for them.

Co-opetition exists widely in the private sector too. For example the arrangement between Peugeot, Citroën and Toyota to share car components through their jointly owned factory in the Czech Republic. The co-created car is sold as the Peugeot 107, the Toyota Aygo, and the Citroën C1. Manufacturing started in February 2005, creates 300,000 cars a year and employs 2,400 staff[2].

The advantages are cost reductions, shared resources and technology transfer. The companies save money, while remaining fiercely competitive in their sales and marketing.

The concept of co-opetition, was brought to mainstream business by Adam Brandenburger and Barry J. Nalebuff in their book *Co-opetition*[3] in 1996. Since then it has been studied in detail and there is much academic evidence that co-opetition can be successful.

But the question for a Shared Service Architect is, under what circumstances is it successful and how can those circumstances be replicated?

Shared Service Architects as advocates of co-opetition

If you can learn to identify the existing positive circumstances under which a co-opetition environment can flourish, then you can make better assumptions on the suitability of connecting potential co-opetition partners.

However, if you can understand how to structure co-opetition environments where there are no current, existing positive circumstances, then you may help create new, innovative and highly effective partnerships that others feel are not possible. Maybe the academics can help you do this.

Peng and Bourne (2009)[4] examined the simultaneous competition and cooperation between healthcare networks. They concluded that three key circumstances were required for success:

- each organization needed to have complementary but distinctly different sets of resources
- the field of competition has to be distinctly separate from the field of cooperation
- each network must have compatible, but distinctly different structures.

Professor Ming-Jer Chen, from Columbia University in New York is an acknowledge world expert in co-opetition. In a 2008 paper he talks about a 'transparadox framework for

1 The Universities and Colleges Admissions Service
2 Source: Toyota Peugeot Citroën Automobile
3 Brandenburger, A. M. and B. J. Nalebuff (1996). *Co-opetition*. Doubleday, New York.

4 Peng, T.-J. A. and M. Bourne (2009). 'The coexistence of competition and cooperation between networks: implications from two healthcare networks', *British Journal of Management*, **20**, pp. 377–400.

It asks the adult question: Despite the fierce competition between us, could we be better collaborating in some of the functions in the "Things we compete on" list, than we are if we attempt to remain on our own?

transcending the competition–cooperation paradox'[5].

Chen proposes three alternatives (paradoxes):

- Firstly that, *independent opposites* represent a common view that competition and cooperation are independent.
- Secondly, in *interconnected opposites*, the individual forces of competition and cooperation are connected in such a way that they may influence each other and shape the nature of competition (or cooperation) between firms.
- Thirdly, *interdependent opposites* encompass all possible situations of inter-firm dynamics, in which competition and cooperation together form the union of the two, implying inseparable interdependent elements which together form a whole.

Unpacking the paradoxes

So maybe what Chen is intimating in his first paradox is that it is wrong to bluntly state that two FE colleges, for example, cannot collaborate, if they are competing for students, based on the conclusion that it is impossible to compete and collaborate at the same time.

In the second paradox, Chen asks us to look beyond that conclusion and play with ambiguity to see if there is paradox present. Are there inter-connected opposites?

This could involve drawing up a table that has a column headed "Things we compete on" and "Things we don't compete on". Then hold separate meetings with each partner and ask them to work through all the functions, products and services of their organisation, choosing which column to put them in.

The next step is to compare the partners' "Things we don't compete on" lists to identify areas of overlap and duplication of effort, ripe for collaboration.

Then filter those areas through Peng and Bourne's three criteria.

But maybe the real winner is Chen's third paradox of interdependent opposites. It asks the adult question: *Despite the fierce competition between us, could we be better collaborating in some of the functions in the "Things we compete on" list, than if we attempt to remain on our own?*

It is into this category the Peugeot, Citroen and Toyota models fits. An obviousness that co-opetition in even competing areas could make us 'stronger together' than we are apart!

But is there evidence that co-opetition does make competing partners stronger?

Yes. One example is a 2012 study that investigated the co-opetition[6] performance, over a 15-year period, in a Taiwanese supermarket network. These were supermarkets from competing chains.

Performance was analysed before and after launching the co-opetition strategy, and 31 indicators were examined.

The findings confirmed that cooperation with competitors resulted in better performance in two ways.

The first was that co-opetition permitted the attainment of performance levels beyond what would otherwise have been possible.

The second was that the adoption of co-opetition changed the timeframe, permitting earlier achievement of higher performance.

Co-opetition is not for the faint hearted

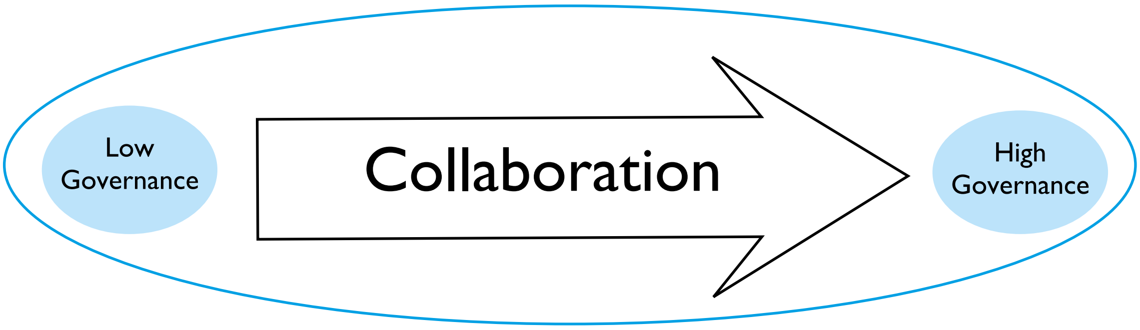
Maybe we can conclude that co-opetition is probably not for the faint hearted, or for pessimists.

However, in the right circumstances, with open minded leadership in the partnering organisations, and driven by these times of austerity, it could potentially make 2+2=5.

[5] Chen, M. J. (2008). 'Reconceptualizing the competition–cooperation relationship; a transparadox perspective', Journal of Management Inquiry, 17, pp. 288–304.

[6] Peng, A. Pike, S. Johnson, I. Et al. Cooperation with Competitors a Good Idea? An Example in Practice British Journal of Management, Vol. 23, 532–560 (2012)

You must agree your definitions before you start…



Sovereign or Federal?

Partner Led or Service Led?

This is an update to your Highway Code folder.

If you are not familiar with this update you may want to store it in your folder for future reference when working with your teams, or leadership.

The academic study of collaborations (ie shared services) between public and private sector organisations is called *Inter-organizational Relations* (IOR) and has been developing since the late 1950s[1].

Students on the Postgraduate Certificate in Collaborations and Shared Services are surprised at the depth of the study when doing their research. If you type inter-organizational relations into Google Scholar the return is over 45,000 academic papers and reports.

Like most academic fields, IOR has a multitude of definitions and its own words and phrases to describe inter-organizational activities. For example 'boundary emergence', 'boundary erosion', 'co-opetition'. In general though it is researching and analysing relationships that, 'are based on mutual interest - ie co-operative or collaborative[2]'.

For the purposes of the Shared Service Architect's programme we talk about 'collaboration' as being the word out of which subsets of collaborative activity fall.

[1] Cropper, S. et al (2008) The Oxford Handbook of Inter-organizational Relations. Oxford. See page 6.
[2] Ibid p5

So for Shared Service Architects and Practitioners, shared services, alliances, partnerships, mergers, joint ventures, local budgeting, community engagement, etc are all forms of collaboration (or collaborative) activity.

Whose definitions should you be using?

The importance of having a common language in collaborations is key to its success. This is even more relevant when the partnering organisations are from different cultural backgrounds.

For example health, police, FE, HE, housing, private sector and councils all have their own cultural structures and language and as a result confusion can arise.

So the definition of <u>your</u> collaboration, shared service, partnership, joint venture, blended services, alliances, mergers, etc should be what <u>the partners agree it is</u> - and framed by the desired outcome and the required governance.

For example BT, SERCO and CAPITA talk about shared services with public sector partners, when the activity requires an

So when you bring potential partners together, one of the early activities is to get them to identify what the outcomes of a collaboration could be, and an agreed glossary of terms around the governance that might be required.

invitation to tender and therefore is clearly an outsourced, customer-supplier relationship.

Universities tend to talk about CAMs - collaborations, alliances and mergers, rather than shared services which most frequently describes internal sharing.

FE will talk about 'unitary services' (internal sharing of a service), whilst in local government, 'unitary' means the wholesale re-organisation of a number of district councils into a single, larger council.

So when you bring potential partners together, one of the early activities is to get them to identify what the outcomes of a collaboration could be, and an agreed glossary of terms around the governance that might be required.

This can be captured using the 'collaboration arrow' (pictured on the previous page) to ask the partners:

1. What will the outcome of the collaboration feel like to the end users, the staff who run it, the leadership of the partners and other stakeholders?

2. Therefore does that require low-governance, or high-governance arrangements whilst in development?

So a simple collaboration such as sharing development of common policy documents between a group of partners, may only require low governance - it may be through just the exchange of emails.

But, when the collaboration outcome will involve staff being relocated, TUPE'd, budgets being pooled, new jointly owned assets/ICT being procured and the outcome service being uniquely branded, then high-governance will be required and our legal colleagues can have fun.

The Sovereign vs Federal Bubble…

As a student of collaboration it is important for you to distinguish between sovereign and federal activities.

Sovereign collaboration applies to the sharing of in-house services.

For example within a housing association, with a number of offices and estates across the country, there could be sharing of a single ICT service, or a shared job advertising and recruitment team. Sovereign collaboration is about gaining efficiency and improvements by sharing more internally.

In this context it makes sense to start with internal collaboration first, before partnering with external organisations, so that your services are running at the lowest possible cost.

Developing internal shared services should, theoretically be straight forward because there is a command and control structure in place to order the staff to "just do it!".

However, our students, and academic studies, report that in-house activities (which result in people losing their jobs) are tricky to develop and deliver, especially where powerful, senior managers, who do not want to collaborate, have strong influence with the decision making leadership.

Federal collaboration is when the partnership brings together sovereign organisations in a collaboration.

So Fire & Rescue could share a control room with Police and Ambulance services - each organisation retaining its sovereignty, but pooling budgets and technology to support the single control centre.

You may remember that Jenga is the game where wooden bricks are built into the shape of a tower and the skill is to carefully remove the bricks one by one, without the tower falling down. In service-led collaborations this risk needs to be monitored to ensure it does not happen to an organisation, as services transfer away from the corporate centre.

The academics and our students, tell us that setting up sovereign shared services can be tough, but that high governance, federal collaboration is even tougher.

The Service-Led vs Preferred Partner-Led Bubble…

When you step into the Federal Collaboration space, it can structured in two ways: service-led, or preferred partner-led.

Service-Led Collaborations are when an isolated activity is put forward for collaboration with a random partner, who seems a good fit for the job.

For example, the *Director of HR in ACME Council* goes out for lunch with the Director in the expanding local LEP and talk turns to the consideration of a joint HR service.

At roughly the same time the *Head of ICT in ACME Council,* meets the Head of ICT of NMO College at a conference. In conversation they discover that there is a lot of overlap in provision that could result in efficiency gains if they shared.

Then *ACME Council's Leader* has lunch with XYZ Council's Leader and they start to talk about sharing the support services of housing stock.

This example illustrates that in service-led collaborations, each service is left to find any partner it likes to develop effective collaborations. The services lead the collaboration strategy of the organisation.

So, there are two ways in which service-led strategies develop.

Either the leadership of an organisation creates a policy that frees up services to collaborate with *'the best possible partners they can find'*, or, more frequently, the organisation has no policy on collaboration activities.

In that vacuum, service-led collaborations occur on an ad-hoc basis.

The two issues for service-led collaborations are:

- They can create a tangled web of many partner relationships which create a complexity cost
- There can be a 'Jenga' effect on the organisation as services demerge from the corporate body

The latter issues mean that as the number of collaborations grows, the impact can be that the services which remain un-shared in the host council, have to start paying higher "internal charges" to make up the deficit of income from the services exported from the organisation.

You may remember that Jenga is the game where wooden bricks are built into the shape of a tower and the skill is to carefully remove the bricks one by one, without the tower falling down. In service-led collaborations this risk needs to be monitored to ensure it does not happen to an organisation, as services transfer away from the corporate centre.

Preferred Partner-led Collaborations develop from an initial agreement that partners will share with each other.

For example Devon & Cornwall Housing, TOR Homes and West Devon Homes set out in 2011 to *'set up a strategic alliance for the delivery*

Sometimes a political statement can be added that the collaboration is not a journey to merger of the organisations.

of housing and asset management, support services, central and other special services, and any other associated activity'[3].

The service heads of the three are therefore bound by the partnership agreement, to open conversations on collaboration or shared service activity, with the other two partners first.

Further examples are:

- the London Tri-Borough Council collaboration;
- Hereford, Worcester and Shropshire Fire Services;
- Staffs and West Midlands Police,
- Solent Colleges Innovation Partnership
- Kent & Essex Police Shared Services
- The Kingston City Group of shared internal audit by universities

One of the key elements in the terms of reference, memorandum of understanding or similar agreements is that each organisation will retain its sovereignty whilst in collaboration.

Sometimes a political statement can be added that the collaboration is not a journey to merger of the organisations.

The partners must define what it is…

Just to recap on this section, the definition of <u>your</u> collaboration, shared service, partnership, joint venture, blended services, alliances, mergers, etc should be what <u>the partners agree it is</u> - and framed by the desired outcome and the required governance.

Commonly Used Inter-Organizational Relations Language

Names for entities:

- Alliance
- Association
- Cluster
- Coalition
- Collaboration
- Consortium
- Constellation
- Co-operation
- Federation
- Joint venture
- Network
- One stop shop
- Partnership
- Relationship
- Strategic alliance
- Zone

Descriptors for entities

- Collaborative
- Co-operative
- Co-ordinated
- Interlocking
- Inter-organisational
- Inter-professional
- Joined-up
- Joint
- Multi-agency
- Multi-party
- Multi-organisational
- Multiplex
- Trans-organisational
- Virtual

Names for acts

- Bridging
- Collaboration
- Contracting
- Co-operation
- Franchising
- Networking
- Outsourcing
- Partnering
- Working together

Source: Cropper, S. et al (2008) The Oxford Handbook of Inter-organizational Relations. Oxford. Fig 1.1, page 5.

[3] Devon & Cornwall Housing, TOR Homes and West Devon Homes (2011) *Working Better Together - Better Outcomes in Shared Communities.*

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