

Agenda Item No:

Report No:

Report Title: Shared Services : Evaluation Framework

Report To: Cabinet

Date: 17 October 2007

Lead Councillor: Councillor Ann De Vecchi

Ward(s) Affected: All

Report By: Director of Finance and Community Services

Contact Officer(s): John Magness

Purpose of Report:

To provide a framework for evaluating participation in shared services.

Officers Recommendation(s):

- 1 To approve the framework for evaluating participation in shared services.
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Reasons for Recommendations

- 1 A framework to evaluate participation in shared service projects will help to ensure that the Council's resources are used to best effect and that the Council remains focused on delivering value for money services.

- 2 **Background**

- 2.1 All publicly funded bodies need to secure value for money in the provision of services to the community and to gain the maximum benefit for each pound of taxpayers money used.

- 2.2 Several national policy documents have set the direction of travel for the next three to four years in the development of shared services, between local authorities, public bodies and the private sector.

- 2.3 Key references can be found in the following documents:

- "The Gershon Report" Releasing resources to the front line: An independent review of public sector efficiency. Sir Peter Gershon CBE July 2004.
- Comprehensive Spending Review 2007 (CSR07). A Government publication setting out the direction of funding public services from April 2007 to March 2010.
- Transformational Government Implementation Plan, March 2006

2.4 The CSR07 contains the following reference to shared services:

Paragraph 22

Releasing the resources to meet the challenges ahead: value for money in the 2007 CSR. Benchmarking against the private sector and the best of the public sector demonstrates that there is still further to go. As part of their value for money preparations for CSR07, departments are therefore looking at simplifying and standardising processes across corporate services and are identifying options for further streamlining of these functions. In particular, best practice demonstrates that moving to a shared services model can generate significant savings, and in the CSR07 period all departments will be expected to develop plans to realize these benefits.

2.5 The shared services theme is continued in the Transformational Government Implementation Plan.

Para 39

A new Shared Services approach is needed to release efficiencies across the system and support delivery focused on customer needs. Technology now makes this far easier than ever before. Shared services provide public service organisations with the opportunity to reduce waste and inefficiency by re-using assets and sharing investments with others.

2.6 The mention of the shared services agenda in the first extract is specifically in relation to Government Departments. The public sector generally is being encouraged to move towards shared services but in this instance there will be multiple legal entities and additional considerations in delivering shared services, relating to employment law and competition law, unlike the Government which is a single entity.

SITUATION REPORT SEPTEMBER 2007: SHARED CORPORATE SERVICES IN GOVERNMENT

Department	No. of Staff	Functions		Status	Comment
LIVE					
DWP	120,000	Finance	HR	Live	About to sell services to smaller Departments.
MoD Civilian	80,000		HR	Live	
MoD Joint Personnel Administration	275,000 Military 380,000 Pensioners		HR	Live	
HMRC	95,000	Finance	HR	Live	Likely to sell to smaller departments.
Home Office	20,000	Finance	HR	Live	
NHS/Xansa Shared Business Service	Approx 20% of trusts have joined	Finance		Live	NHS/Xansa has saved 108 health trusts up to 34% of the cost of processing finance transactions. On track to deliver £220m over 10 years. 25% of trusts expected to join by April 2008.
DfT	8,000	Finance	HR	Live	Increasing to 20,000 March 2009.
Defra	14,000	Finance	HR	Live	
HM Prisons	48,000	Finance	HR	Live	
Transport for London	20,000		HR	Live	30% saved on its HR resource spend in the first year of operating its shared service centre.
HMT/OGC	1500	Finance		Live	HR to be standardised for common platform April 2008.
PLANNED					
Home Office	20,000	Finance	HR	Planned	Implementation from Spring 2008.
Cabinet Office	1,500	Finance	HR	Planned	In discussion with DWP.
Ministry of Justice	32,000	Finance	HR	Planned	Implementation forecast for 2010
FCO	3000-4000	Finance		tbc	

- 2.8** Operating a shared services center is akin to establishing a trading operation. It would be prudent to adopt the following advice, contained in orders that permit councils to trade:

Local authorities will need to be prudent, in particular, about putting Council Tax payers' money at risk. It is for this reason that the Order requires authorities to prepare a detailed business case before embarking on trading under the trading powers, and to have the business case approved by the council before trading starts following a full discussion with the auditor. Local authorities remain bound by general administrative law, legal principles such as Wednesbury reasonableness, and fiduciary duties'.

3 Shared Service Evaluation Framework

- 3.1** The Council is currently participating in the evaluation of a shared Housing Benefit Fraud Investigation Service and a shared Revenues Service within East Sussex.
- 3.2** Experience from these two areas has shown that the evaluation process can be a resource intensive activity that impacts upon a range of professional disciplines including Personnel, Information Technology, Legal and Financial Services.
- 3.3** An evaluation framework at Appendix A has been prepared by the Corporate Management Team drawing from this experience. It is designed to ensure resources are used to best effect and that the Council remains focused on delivering its priorities and securing value for money services.
- 3.4** The framework will be used as a guide to determine:
- whether to participate in a project
 - what needs to be evaluated
 - the information presented to Cabinet

4 Financial Appraisal

- 4.1** There are no direct financial implications associated with this report.

Environmental Implications

- 5** I have completed the Environmental Implications Questionnaire and there are no significant effects as a result of these recommendations.

Risk Management Implications

5.1 Risk

Failure to secure value for money for local taxpayers and failing to provide the best possible service to taxpayers.

Mitigation

Active participation in feasibility studies for shared services selected via the proposed framework will enable the Council to determine if a proposal can produce a more efficient service to taxpayers at a lower cost.

5.2 Risk

If the next three year Government spending review (2007/08 to 2009/10) provides less resources for the Council this could adversely affect the services currently provided.

Mitigation

The Government has indicated that all Council's will need to make cash savings on their budgets from 2007/2008 and that one way they could achieve this is by providing shared services.

Background Papers

- 5.3** An IPF occasional paper 4/06 June 2006. Shared Services: The opportunities and issues for public sector organisations.
- 5.4** HM Treasury document: Releasing the resources to meet the challenges ahead: value for money in the 2007 Comprehensive Spending Review
- 5.5** Scottish Parliament document: A shared approach to building a better Scotland – a consultation paper on a national strategy for shared services. There is also a document with the responses to this consultation.
- 5.6** HM Government Cabinet Office November 2005 : Transformational Government: Enabled by technology
- 5.7** HM Treasury document July 2004. Independent Review of Public Sector Efficiency Sir Peter Gershon, CBE

Appendices

- 6** Shared Services Evaluation Framework – Appendix A.

Shared Services Evaluation Framework

Definition

Shared Services is a contractual arrangement between public sector organisations that pools resources and aims to secure one or more of the following benefits:

- to provide improved services to the public
- to reduce costs
- to improve the efficient use of resources.

The service to be shared may be the whole or a part of a supply chain from back office to front line and may involve delivery by public, private or voluntary and community sectors.

Before the Council embarks on a shared services project there must be a report to Cabinet that tests the feasibility of the proposal in the following way.

1. The specific objective of the proposal.
2. All potential alternative service models.
3. An outline analysis of the business case including:
 - (a.) The capital and revenue expenditure needed to achieve to achieve the start up of the shared service and the payback period.
 - (b.) The difference in the cost of the shared service at the end of the payback period compared to the current cost.
 - (c.) An estimated quantification of the improvement in service quality, cost reduction and efficiencies.
 - (d.) Where in the supply chain the greatest improvement of the shared service will be achieved (i.e. will it be service improvement or reduction in cost or another benefit?)
 - (e.) How the potential gain for each partner is proportionate to that partner's share of the service.
4. The governance arrangements proposed (i.e. will one organisation deliver the service for its contractual partners or will it be outsourced?)
5. The potential impact on staff (e.g. travel to work issues).
6. If the Cabinet decides to proceed with a more detailed evaluation, a Project Initiation Document must be prepared demonstrating how partner organisations will be involved.

Guidelines for assessing participation Costs and Benefits

The Council will be more likely to engage in a shared service arrangement if the following favourable conditions exist:

- (a) There is reliable numerical evidence that the shared service arrangement will bring benefit to the public through improved accessibility, a higher level of performance and lower cost.
- (b) The shared service arrangement will provide better working conditions and prospects for the staff who provide the service.
- (c) There is reliable numerical evidence that organisations of a similar size to the shared service arrangement are delivering the service at a higher level of performance and lower cost.
- (d) The Council is unable to provide the investment that the service needs to improve its level of performance.
- (e) The shared service arrangement would enable more efficient working methods to be adopted and specialist staff to be employed.
- (f) Government Regulations allow that the organisation that delivers the shared service arrangement can be measured for performance, instead of each of the participating councils.
- (g) There is evidence that similar arrangements are already in place and have been proved to be effective.
- (h) The payback period for recouping investment is less than 4 years.

The Council will be less likely to engage in a shared service arrangement if the following less favourable conditions exist:

- (a) The potential for higher performance and lower cost is marginal compared to the cost of existing arrangements.
- (b) The shared service arrangement would involve fewer than 5 staff.
- (c) The impact of delivering the service through the shared service arrangement would adversely affect the capacity of the Council to provide other services up to the same standard.
- (d) The Council's economy of scale or strategic ability to provide other services would be adversely affected as a consequence of implementing the shared service arrangement.
- (e) The shared service arrangement will not provide any material advantage in quality, accessibility or accountability.