

White Paper

The shared services opportunity for public sector organisations

"Over the coming years public services will face major challenges in protecting frontline services while also dealing with budget reductions and spending restraint. Among other things this will demand that waste and inefficiency are reduced and resources deployed in areas that matter to people who need our services.

Shared services and collaborative working provide many important opportunities here. By introducing new business structures, improving processes and deploying new technologies and management systems, such approaches have a major role to play in improving cost-effectiveness and service quality."

Joyce Redfearn
Chief Executive, Wigan Council and chair of the Regional Improvement and Efficiency Partnerships' Chief Executives' Task Group

Extracted from the Chartered Institute of Public Finance & Accountancy report on public sector shared services, "Sharing the Gain", © CIPFA 2010.

White Paper

Executive summary

The concept of shared services is not new, but in the current climate, it has gained new relevance.

Public sector organisations face mutually exclusive objectives; to improve front line services and reduce costs by 25 – 30%. This is a new paradigm which is challenging traditional operating models. Where only a handful of organisations had embarked on shared services arrangements 2 – 3 years ago, in 2010 almost a quarter are actively pursuing this option.

Cost savings in the order of millions of pounds per annum are achievable in direct relation to CSR10. However, a recent report from the Chartered Institute of Public Finance and Accountancy encourages the sector to use a transition to shared services as an opportunity to transform and improve the way services are delivered. The report also cites a number of additional advantages, including:

- having the scale needed to access best-in-class technology, business processes and management techniques
- using these new capabilities to protect and improve the quality of services – citizen and corporate – and delivering them in more relevant and innovative ways. For example, 'joining up' services with other public sector functions in a move towards Total Place
- being able to improve opportunities for innovation and investment by pooling resources - of both public sector and private organisations
- being able to attract and retain skilled personnel through new career opportunities in new organisation structures and working environments

In Advanced Business Solutions' experience, one of the most highly valued benefits of shared services is the capacity to enable future change. Change is one of the few certainties in public sector, making this capability invaluable.

Key decisions

It would be a mistake to think of shared services as a purely technical issue; in Advanced Business Solutions' experience, the political and organisational changes are far more wide-ranging. CEOs have a number of key decisions to make en route to a successful outcome, including:

- whether to proactively drive the move towards shared services, or become part of another shared services arrangement; as a supplier or buyer.
- what model is the most appropriate for their organisation, services and circumstances:
 - o a local authority sector consortium
 - o a partnership/s with other public sector agencies in the style of Total Place
 - o private sector partnerships in the form of joint ventures or outsourcing
 - o creating a specialist not-for-profit body for a particular service/purpose
- which services are appropriate to share. Corporate services including finance, procurement, HR & payroll, IT, legal, audit and revenues & benefits are the most common candidates, and it may also be possible to combine some citizen services
- the readiness of the organisation and its support for the transition to shared services
- the external assistance and partner needed to achieve successful and lasting results

White Paper

In our experience, the choice of partner is crucial to long-term success because further change is inevitable in the public sector.

ABS' shared services track record

Advanced Business Solutions' experience in the public sector spans 20 years. The company has worked with many organisations on a variety of shared services implementations around the UK – some of which are detailed in the examples below.

Advanced Business Solutions (ABS) is also advising the "Capital Ambition" programme in London (Project Athena), and in the private sector, ABS has implemented a shared services arrangement within The Co-operative Group delivering finance, procurement and reporting services and savings of £5 million per annum.

- In 2008, ABS worked with Watford Borough Council and Three Rivers District Council to combine HR, IT, finance, and revenues & benefits into a shared services arrangement, realising savings of £1.6 million per annum
- In 2008, four consortia comprising the 22 Health Boards of NHS Scotland shared financial management software and implemented a single set of business processes with ABS to make savings of £2.9 million per annum
- East Lancashire Financial Services (ELFS), an ABS partner since 2002, is a UK provider of business shared services to NHS client organisations. Historically, ELFS has focused on the provision of shared services to North West NHS organisations but in 2010 expanded its services to NHS organisations across the UK, in partnership with ABS
- Newcastle City Council provides shared services to a number of museums in the city and an ALMO (Arms Length Management Organisation), delivering estimated cost savings of £2.5 million per annum
- ABS helped Cumbria County Council and Blackpool Council to provide financial shared services to all the schools in their respective regions
- Rotherham Metropolitan Borough Council set up a shared services agreement with BT to provide financial and reporting services to itself and other organisations in the region, resulting in savings of £3 million per annum
- Prior to the South West One initiative, for over 10 years ABS worked with Somerset County Council to provide a financial management shared service to Avon & Somerset Police, the Exmoor National Park, South Somerset District Council and the South West Regional Assembly. It was one of the longest running shared services implementations in the UK with over 1,350 users
- Prior to becoming a unitary authority, Shropshire County Council provided a centralised financial service to Oswestry and Shrewsbury & Atchem Borough Councils

The benefits are not just financial

In the current climate, the ability to reduce costs is a primary driver in any shared services decision. However, it is important to remember that an initial investment by each party is usually required, and just like any other transition project, the expected payback period and return on investment need to be justified.

White Paper

This is covered in more detail in the next section, but public sector organisations should be aware that shared services can also deliver other important and long-term benefits. In its "Sharing the Gain" report, CIPFA points out that the combination of these benefits is often the deciding factor.

- Long-term change enabler

Shared services offer a high degree of flexibility in the way it is implemented.

- o Organisations can pick the most appropriate services to share
- o Services can be shared at different levels, from simply sharing suppliers through to completely merging services and delivery
- o Organisations can select the most appropriate implementation model
- o Different services can be shared with different organisations (public and private)

Given these capabilities, shared services are robust enough and have enough longevity to become a long-term enabler for change.

- **Access the best**
By pooling spending, shared services lend extra reach and negotiating power to the organisations involved, delivering greater value for money
- **Improve and 'join up' services**
By managing processes end-to-end and reducing management overheads, public sector organisations can improve the efficiency and quality of the services involved. Technology offers additional opportunities to improve service delivery and reduce costs and shared services also offer opportunities to move towards a 'Total Place' citizen-centric delivery model
- **Innovate and invest**
Pooling the resources of public (and private) sector organisations opens up opportunities for innovation and investment, and given the current climate of 'austerity', joint innovation and investment is likely to become increasingly popular
- **Retain skilled personnel**
New service delivery models typically involve some form of organisational change which may create demand for different skills and specialisms. Being able to offer challenging roles and career paths can help public sector organisations attract skilled personnel

White Paper

Realising success in shared services

The key to success in shared services is making it work specifically and exactly for your organisation. Shared services is not 'one size fits all' but a structured route towards making significant cost savings and service improvements, for example enabling public sector organisations to 'do more with less'.

In principle, this involves making the most appropriate selection for each service in two dimensions:

1. selecting the level at which to share the service
2. selecting the model to use to implement it

Selecting the level at which to share the service

In ABS' experience, shared services rarely involve shared service centres or business process outsourcing (BPO). The most common levels of sharing that ABS supports are:

- i. shared contracts and joint procurement. Achieving cost savings primarily through economies of scale and extra buying power
- ii. shared systems. Hosting separate solutions (for example payroll, HR, accounting) from each party on a single IT platform rather than one platform per organisation
- iii. shared transactional processing. Using the same application/s to handle corporate functions such as payroll, HR and accounting, and possibly some citizen-facing services applications such as customer relationship management and contact centre software
- iv. shared advisory services such as service and departmental accountants, audit and legal
- v. merged services - the highest level of integration in which a single team, IT platform and application deliver exactly the same services to users at each organisation involved

Selecting the shared services implementation model

A valuable benefit of shared services is the wide choice of options available for implementation. In ABS' experience, they generally fall into one of four basic models. The way that one service has been implemented does not dictate how others should be brought online, which means that public sector organisations can choose the best model for each service and gain maximum benefit from every implementation.

- A consortium. This involves public sector organisations within the same sector (local government, health, education or the emergency services) that run corporate services for two or more organisations. For example, the shared financial service of Watford Borough Council and Three Rivers District Council, and the shared business services of the 22 health boards of NHSScotland. Councils have been mainly self-sufficient to date as a result, significant opportunities exist to reduce costs through economies of scale in operations such as finance, procurement, payroll, HR, IT and administration

White Paper

- A partnership/s with other types of public sector agencies. This involves different types of public sector agencies sharing corporate services for example the London Borough of Islington and NHS Islington PCT which share financial services. The arrangement may be joint and equal, or one organisation may take the lead. Because both organisations are in the public sector, no separate organisation needs to be set up
- Private sector partnerships in the form of joint ventures or outsourcing. The advantages of this option is that it can involve private sector companies with their particular specialisms and best practice knowledge, and it can also make a profit. The partnership may be formed as a joint venture or limited company, complete with shareholders from the founding parties and service level agreements. For example, Rotherham Metropolitan Borough Council and BT formed Rotherham BT
- Creating a specialist not-for-profit body for a particular service/purpose. East Lancashire Financial Services (ELFS), a business division of Calderstones Partnership NHS Foundation Trust, is a UK provider of business shared services to NHS client organisations. Operating since 2002, ELFS provides 11 NHS organisations across the North West with fully flexible accounting, financial management, procurement, ESR payroll, online expenses and other tailored shared service solutions

Historically, ELFS Shared Services has focused on the provision of its services to North West NHS organisations, but it is now expanding its services to NHS organisations across the UK, for example, Norfolk and Waveney Mental Health NHS Foundation Trust. This strategy is in response to increasing demand from NHS organisations for more economical and efficient ways to operate their finance, accounting, ESR payroll and business software systems.

ABS has been ELFS Shared Services chosen software partner since the organisation was founded in 2002, providing the financial software systems to support a large number of North West based clients. ABS will now be working in partnership with ELFS to help deliver shared services to NHS organisations across the UK.

Successfully implementing shared services

At this stage, it should be apparent that successfully implementing shared services requires careful planning. ABS has a strong track record and deep public sector experience to lend to public sector organisations that decide to take advantage of the various opportunities on offer.

CIPFA's "Sharing the Gain" report 2010 contains a wealth of useful information on this subject and can be accessed online at www.cipfa.org.uk/sharingthegain.

"Rotherham has experienced an incredible transformation – moving from one of the bottom-performing local authorities to the top five with 'Beacon' status. With Advanced Business Solutions' software functionality and consultancy, other councils can benefit from changes in their procurement processes and get both increased efficiencies and greater procurement savings."

Brian Leigh,
Head of Procurement, Rotherham Metropolitan Borough Council

White Paper

Considerations in the decision making process

The challenges en route to any successful shared services arrangement are not generally technical; in ABS' experience they are political, organisational and HR related. CEOs may need to address a number of areas during the transition process, for example:

Overcoming resistance to change

In senior management (including the CEO) and throughout the organisation, there are likely to be concerns about loss of control, job losses and cultural differences between public and private sector organisations. How serious these concerns are depends on the scope of the shared services arrangement and the readiness of the organisation for change.

The CEO and senior management team play a key leadership role in articulating the vision and clear, realistic objectives for the shared services outcome. Good change management and regular, honest communications feature strongly in successful migrations to shared services.

Adopting a service culture

In ABS' experience, there is an expectation that shared services automatically engender a service culture. This depends on the organisation's readiness for the move and may require education, changes in performance appraisal and reward systems, and establishing processes to gather and action customer feedback.

Procurement and legal considerations

In more complex shared services arrangements, new organisations may be established and procurement processes may become highly involved. Specialist legal and financial advice may be the fastest and most cost effective solution.

CIPFA's "Sharing the Gain" report and website at www.cipfa.org.uk/sharingthegain includes further information on considerations in the shared services decision making process, and has useful online resources available to download.

The benefits of working with ABS

ABS is part of Advanced Computer Software Group plc, the 5th leading UK-based software provider and a leading supplier to the UK public sector. ABS has many years' experience of shared services and can work with your organisation at every stage of the transition to shared services and at every level – from IT platform/s to effective change management.

The right services, right first time

One of the main benefits of working with ABS to implement a shared services arrangement is knowing that it will be right first time.

ABS knows exactly what factors must be present before a successful implementation can start. If vital elements are weak or missing, ABS will work with you to resolve them first, avoiding the wasted time and expense of a false start, or an inaccurately specified shared service, which is unable to meet its objectives.

White Paper

Staged approach

As this document demonstrates, shared services are highly flexible and modular in implementation. ABS can work with your organisation using a staged approach to minimise risk, build robust service delivery benefits, achieve cumulative cost savings, and smooth set-up costs. Long-term plans can be broken down into manageable projects with quantifiable and justifiable results.

Ready for change

One certainty for all public sector organisations is that change is the norm. Being able to accommodate change on a daily basis is therefore an invaluable asset.

ABS' understanding and experience in the public sector and in shared services deliver immediate advantages to all its customers. ABS' approach has always been to take the long-term view and the results always justify this approach.

ABS has developed long-standing working partnerships with many public sector organisations and is never complacent in its role as a trusted advisor to them.

Technology agnostic

ABS' over-riding objective is to specify the shared service accurately so that it meets/exceeds the expectations of all parties involved.

If IT platforms and applications are involved, ABS' intention is to fully exploit your organisation's existing IT infrastructure rather than incur capital expenditure or dictate what products to use. In terms of IT implementation, this may be handled by your own organisation, passed to a third party IT provider or handled by ABS.

"Driven by the NHS operating framework and the increasing pressure on NHS organisations to cut their back-office administration significantly, more and more NHS organisations are looking at a shared service approach to managing their financial, payroll and business software systems.

"The decision to expand our reach across the whole of the UK will enable even more NHS organisations to benefit from our financial and business shared services, which have an excellent track record of being competitively-priced, flexible and quality focused."

**Graham Gornall,
Director of Shared Services, East Lancashire Financial Services**

White Paper

In conclusion

Shared services combine the benefits of both with additional flexibility and longevity.

Shared services is an attractive option to solve the new public sector paradigm of simultaneous cost reduction and service improvement. When the Society of District Councils estimates a funding gap of 8 - 16% of total district council expenditure, it is obvious that 'minimal' cost cutting will not be able to provide the required level of response.

Although shared services is not a panacea, it is worth serious consideration by the vast majority of public sector organisations. Without it, in-house budget cuts are far more likely to affect front line services.

Shared services focus on back office functions and can protect the front line. The transition process requires careful assessment, planning and the support of the CEO and senior management. Working with an experienced partner such as ABS enables your organisation to take advantage of the shared services opportunity in a way that minimises risk and maximises returns.

Proactive organisations will be able to reap the rewards for longer and ABS is ready to lend its extensive shared services experience to achieve a robust outcome capable of handling further changes ahead.

About Business Solutions

Advanced Business Solutions, an Advanced Computer Software plc company, provides leading integrated business applications and services that enable public, private and third sector organisations to retain control, improve visibility and gain efficiencies whilst continually improving corporate performance. It's award-winning software systems comprise core financial management, procurement, human resource and payroll systems, integrated with a range of collaborative, document management and business intelligence solutions. It also provides managed and bureau service options.

Advanced Computer Software plc is the UK's leading supplier of software and IT services to the health, care and commercial sectors. It comprises 3 main divisions and has 7000 customers and 800 staff worldwide.

For more information

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