Considerations for Designing and Implementing Effective Shared Services

September 2017

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Summary

- This report brings together evidence – from the UK and internationally - on shared services. It addresses why councils and other public service delivery bodies might share services, what makes shared services successful, and how central government can encourage collaboration.

- The primary reason that councils have opted to share services has been to reduce costs, but the evidence suggests that shared services can achieve greater service consistency and reduce the council's dependence on other organisations.

- There are clear potential financial benefits to sharing services through consolidating organisational structures, integrating IT, reducing buildings and costs, and improving and reducing staff procurement. However, achieving these requires effective planning and implementation, as well as political and managerial leadership.

- Research consistently highlights the importance of effective communication with employees across an organisation to aid the successful implementation of shared services. Leaders need to keep staff informed but also to hear their advice about what works and does not work.

- Successful sharing of services requires a thorough understanding of existing practice within potential partner organisations, evidence-based analysis of the specific outcomes and improvements that sharing can deliver, and a rigorous assessment of the costs and potential cost savings. Shared services only provide an opportunity to standardise best practice if best practice is known beforehand.

- Some people see shared services as being synonymous with outsourcing. This is inaccurate. Outsourcing is one way in which local authorities may choose to share services, but there are many forms of collaboration between councils which do not involve private or third sector provision.

- Shared services are often thought of as being primarily relevant to back office functions. However, given that most local government spending in Wales is on frontline service delivery, innovation in and sharing of frontline services offers the greatest potential to enable councils to respond to cost pressures and improve service delivery.

- Central government support can be crucial in supporting or enabling shared services. This can include financial support and legal advice to assist a transition to shared services.

Introduction

In January 2017, the Welsh Government published a White Paper, 'Reforming Local Government: Resilient and Renewed', setting out proposals to encourage collaboration between councils and mandate regional delivery of some local government services. The Cabinet Secretary for Finance and Local Government has asked the Public Policy Institute for Wales (PPIW) to review the existing evidence on shared services and in particular:

- Why councils or equivalent organisations choose to share services;
- What helps make shared services successful; and
- How central government can enable and support shared services.

In addition to the White Paper, this review should be read in the context of the long-standing discussion about the best ways to secure effective local governance and high quality local services in Wales. In particular the report of the Beecham Review (Welsh Government, 2006), the Simpson Review (Welsh Government, 2011) and the Commission on Public Service Governance and Delivery (Welsh Government 2014) have all highlighted the need for effective collaboration among councils.

What Are Shared Services?

Shared services involve the consolidation and standardisation of common tasks and services across different organisations or parts of an organisation into a single services centre (Bergeron, 2003). At its simplest, it is a 'service or function that is shared between different organisations or departments' (Shared Services Architects, 2017). A report by the Scottish Government defined shared services as the 'convergence of streamlining of similar functions within an organisation, or across organisations, to ensure that they are delivered as effectively and efficiently as possible' (Scottish Government, 2007: 7). A submission to the Williams Commission argued that shared services exist 'when two or more bodies with a statutory responsibility choose to deliver that responsibility through collaborative action' (Griffiths, 2013: 7). Shared services often involve two or more neighbouring councils but there are examples of collaboration based on other criteria between organisations that are not contiguous.

Shared services are sometimes seen as synonymous with outsourcing or privatisation. As a result they are sometimes resisted by local politicians. However, this is a misconception. The European Services Strategy Unit, which campaigns for and offers practical support for in-

house provision of good quality public services by democratically accountable public bodies, makes it clear that outsourcing is only one of six forms of shared service arrangement (Whitfield, 2007). The other five involve:

1. Collaborative procedures between two (or more) public bodies.
2. Corporate consolidation within an organisation.
3. A lead authority on behalf of a group of organisations.
4. Jointly managed services between a group of public sector organisations at a regional or sub-regional level.
5. Strategic partnership or joint venture with the private sector.

This is important because while councils may choose to outsource services to commercial or third sector organisations it is certainly not the only option. There are many other forms of shared service arrangements that offer councils the potential to combine their resources, capacity and best practices so as to achieve economies of scale and/or scope. Shared services can involve strategic partnerships that make use of expertise in the private sector, but remain local authority led. And opportunities for inter-authority collaboration at regional or sub-regional level have been enhanced by developments in digital technology. For example, a council that has developed an app for citizens to engage with its public services might share the technology with others or operate it on their behalf.

The nature of shared services can therefore vary considerably and is likely to change due to technology driven innovations in approaches to service delivery. This is particularly the case for some back office functions such as accounts and payroll processing, or IT provision, which can help to reduce or eliminate 'duplication of efforts among business units' (Borman and Janssen, 2013: 390).

However, the potential of shared services is not restricted to back office functions. The greatest benefits are likely to be derived in frontline services. The New Local Government Network (2011) estimates that, at best, sharing back-office functions could save just 3.6 percent of local government expenditure because they account for so little of a council's overall budget. This is echoed by Griffiths (2013) in his analysis of local government in Wales. So it follows that the greatest potential for savings lies in innovation on the frontline.

Why Might Councils Share Services?

Cost Reduction

Based on reviews of academic literature and interviews with New Zealand and Dutch government organisations, Paagman et al. (2015) found that by far the most common motive for sharing services was cost reduction. These can be achieved in a number of different ways. By consolidating the providers of services, cost reductions might be achieved by using economies of scale to be able to buy products in bulk and thereby reduce the cost per unit of service. For example, Cambridgeshire and Northamptonshire councils managed to save approximately £1.78 million per year by negotiating with IT and office equipment suppliers on the basis that they were one organisation rather than two, leading to savings in licensing costs (Local Government Association, 2012). The broader findings of a Local Government Association (2012) report show that there are clear financial benefits to sharing services, so long as consolidating organisational structures, integrating IT, reducing buildings and costs, and improving and reducing staff procurement are done successfully.

Sharing services can also mean that services become more efficient, and there is the potential to reduce employee numbers and the costs of hiring staff. The main savings for this can be made from consolidating senior management and middle management posts that are now duplicated in the shared organisation. Fewer staff also has implications for location costs: rent can be saved on buildings that are no longer required and costs saved on utility bills (Local Government Association, 2012).

However, there is a danger in practice that sharing services leads to greater costs. Elston and MacCarthaigh (2016) identify five risks that shared services do not live up to expectations. First, costs might escalate by replacing existing practices that are deeply embedded into an organisation. Second, transaction costs might be increased as time and resources are required to document existing costs and best means of replacement. Third, service quality can be reduced and decisions can take longer across collaborating organisations, which can lead to greater costs over time. Fourth, collaboration can lead to some functions being duplicated, and costs multiplied. Finally, the time and resources spent on sharing services can mean that other ways of reducing costs can be lost or ignored. The potential to save might also be less in different parts of Wales. Dollery et al. (2016) find that shared services were less successful in more remote areas, as the costs of establishing and running shared service entities were higher, and high to the extent of swamping any savings that sharing services made.

Consistency of Service Delivery

Given the financial pressures on local government, it is understandable that cost reduction looms large. However, there are a number of other reasons for sharing services. Sharing services might deliver greater reliability of service. Rather than different services or different versions of services being delivered across local authorities, which might lead to service inequalities, sharing services might provide greater consistency across boundaries. This might also lead to better services. Collaboration can allow for better awareness of services that have worked well. Bad practice can be recognised and removed, and best practice can be standardised.

Many of these strategic benefits could be delivered without sharing services. Local government organisations could instead maintain good communication and individually aim for consistency and standardised best practice. However, developing shared services provides an opportunity to re-design service delivery, develop benchmarks and embrace innovation in a way that might not otherwise be considered (Reilly, 2010).

Reducing Dependency

Borman (2010) suggests that a key incentive for sharing services is that it can reduce local government's dependence on central government or other sources of funding. For example, Denbighshire local authority is contracted by other local authorities in Wales to provide administration of highway penalties (Griffiths, 2013). While this creates other dependencies in itself, such as on other local authorities, it provides an opportunity for local government to be more self-sustaining.

This is an important issue for local authorities to consider. Shared services should not be viewed merely as a short term means of reducing cost or improving service delivery, but a part of long-term considerations by local authorities as to how they operate as an organisation. If sharing services can make local authorities more efficient, more collaborative and less reliant on central government, this can strengthen local government and its long term role. Sharing services can also enable councils to specialise in particular services and provide them to other organisations, possibly generating income in the process (Borman, 2010). And it offers the potential to pool data on how services are used by citizens, to provide a bigger picture of public

services in Wales and how they might be best delivered. Shared services provides an opportunity for local authorities to be proactive in shaping their services rather than being defined by national government targets and grants.

Evidence from Existing Shared Services

The Local Government Association's shared services map provides details of shared service arrangements in England (Local Government Association, 2016). This is unlikely to be an exhaustive list, as it relies on councils and other bodies adding their collaboration. However it remains a useful guide, as it allows interested parties to see which services are being shared and how widely, as well as the extent of savings that have been achieved or are expected. The map shows shared services broken down by category and geography of service, as well as more detailed access to contacts and data. Their 'Productivity Experts' programme also provides funding to access expert advice on shared services, particularly to local authorities focusing on achieving ambitious savings or income generation. They also provide a service to match local authorities together that are looking to share services. In a six-month period from September 2016, data obtained from the Local Government Association shows that nearly 2,500 independent visits were made to the LGA's Shared Services webpages. Anecdotal evidence shows that 30 direct requests have been made to the LGA for further information about evidence from existing shared services, and 15 have expressed an interest in receiving LGA support.

There are numerous examples of shared services from Wales and elsewhere, a number of which are highlighted below. They are chosen to reflect the diverse range of shared service arrangements that can take place, in different geographical and political areas, and across a range of public services. The selected examples also show shared service arrangements in different stages of delivery, from those still being formed to those that are fully functioning. Where possible, evidence is provided of the extent to which sharing has been successful, as well as details regarding governance and structure.

Wales

Councils in Wales share services less than other parts than the UK (Griffiths, 2013). Nonetheless, there are examples, both in back office functions and frontline service delivery.

More than a decade ago, submissions to the Beecham Review gave examples of councils working together, but the review team concluded that collaboration was 'patchy' and needed to go further and faster (Welsh Government, 2006). The WLGA compiled a compendium of shared services in 2011, but it is no longer publicly available. Griffiths (2013) documented a range of examples in his submission to the Commission on Public Service Governance and Delivery. Five in-depth case studies of regional collaboration supported by the Welsh Government were analysed by Downe and Hayden (2016), covering collaboration in services such as education, health and social care, and economic development.

Between 2003 and 2014, the South East Wales Transport Alliance (SEWTA) brought together ten councils to prepare regional strategies for transport policy, to jointly secure external funding, and to provide advice to local councils on policy relating to the broad area of South East Wales. While not directly delivering services, SEWTA involved collaboration between different councils to achieve more effective and co-ordinated transport for people in South East Wales, to have common standards and best practice in transport, and to drive public policy change in transport from a local government perspective. SEWTA was disbanded in 2014, as the Welsh Government took greater control of transport policy. This demonstrates the need for consistency of approach in support for collaboration.

The Project Gwyrdd consortium is another example of local authorities sharing services in Wales; in this instance Caerphilly, Cardiff, Monmouthshire, Newport and the Vale of Glamorgan collaborated to sign a contract with a private provider for residual waste processing and energy generation. Following extensive procurement (in accordance with the Competitive Dialogue Procedure under EU Public Sector Procurement regulations), each partner council selected private company Viridor as the Preferred Bidder, which was then supported and approved by the Welsh Government. The contract began in April 2016. The project is expected to save the local authorities a combined £11 million in the first year of its operation, and over the 25 year deal it is expected to save a combined £500 million. The plant also services contracts from businesses in South Wales too by processing their non-recyclable waste.

Griffiths (2013) documents the exhaustive process from each council in bringing together the £500 million project. The procurement process began in 2006, supported by the Welsh Government, which committed financial and professional support as well as advice on procurement. The collaboration has relied on trust and leadership from each partner council. The partnership runs through a Joint Committee made up of two Executive Members from each authority, with the public welcome to attend Joint Committee meetings.

There are numerous other examples of shared services in relation to waste and recycling. Ceredigion and Powys local authorities collaborate to treat food waste. They collectively state that '…they have similar demographics and shared needs. It makes sense to work together in waste management to find joint solutions and save costs' (Central Wales Waste, 2017). Again, they are working in partnership with a private company, procured with support from the Welsh Government. However, the potential for further collaboration was impacted by the Williams Commission, which did not recommend merging the two councils.

Hammersmith and Fulham, Westminster, and Kensington and Chelsea

In 2011, Westminster, Hammersmith and Fulham, and Kensington and Chelsea local authorities announced plans to share services under a 'tri-borough' arrangement. While back office functions were amalgamated too, there was also a great deal of attention paid to sharing frontline services. The extent of collaboration was vast, with plans announced including a proposal to combine Children Services with a single director, and Adult Social Care with a single director. Commissioning services, libraries, IT and HR, facilities, leisure, highways, transport, parking would all be combined, with future integration plans announced for customer services, waste management, CCTV, parks, environmental health, street cleaning and contingency planning (O'Rourke, 2011). The councils remain democratically and legally separate entities, and directors of services are accountable to each council's cabinet.

Derek Myers, Chief Executive of Kensington and Chelsea local authority at the time, stressed the importance of combining services not just to save costs but to ensure the best expertise was spread more widely. Reducing costs was still important, based on the recognition that by agreeing on particular 'specifications and procurement arrangements, economies could be achieved' (Grace et al., 2011: 13). Myers highlighted that many officers were anxious as to whether sharing services to this degree was possible. To better understand the views of those involved, the authorities commissioned surveys of residents, staff and community leaders towards the project, and found majority support for collaboration (Grace et al., 2011). Myers also agrees with Borman's research findings that sharing services is a way of emboldening and strengthening local government and that bringing together councils means they can be 'a stronger platform for devolved responsibilities for government' (Grace et al., 2011: 14).

The Centre for Public Service Partnerships supported this view, and also stressed the importance of clear and visible political leadership.

"You have to have more than just financial objectives. There should be good operational and service reasons… there are clear similarities between these councils and there has been very clear political leadership… clear and visible political leadership has been very important" (Dudman, 2011).

However, there has been criticism from some within the partnership. A review by Hammersmith and Fulham local authority suggests that many of the savings made by the local authorities could have been made anyway, pointing out that similar levels of savings were achieved by other London boroughs that did not share services to anywhere the same degree (Pallace, 2016). While they still supported the principle of shared services as a means of delivering fundamental change, the report highlights concerns with process and the benefits of shared services.

In particular, the report shows some of the 'hidden costs' associated with shared services.

"There has been no calculating of how much officer time went into creating the tri-borough arrangement… but it was enormous, and has not been taken into account when proclaiming the financial savings arising from economies of scale… [and] when there are errors or concerns with shared services, resolution can prove much more difficult and painful to agree… as historically insufficient attention has been paid to the competing needs of stakeholders and the complex interdependencies [of each local authority] (Pallace, 2016: 11).

As an example of service improvement, Children's Services previously rated as 'good' in each borough are now rated 'outstanding'. However, the partnership ended earlier this year, with Westminster, and Kensington and Chelsea citing anxiety among staff with how Hammersmith and Fulham was making its own arrangements. It shows that while extensive collaboration can lead to better services, there is a danger that shared services can collapse when leadership or behaviour changes over time, short of partnerships being made mandatory.

NHS Scotland

In light of increased demand, the Scottish Government has adopted a 'Shared Services Portfolio', where services will be delivered on a set of consistent national principles, unless there is a compelling reason for variation (NHS Scotland, 2016). Their key messages are that health and social care services should be consistent and effective, efficient, and set a strategic

direction for service improvement. Services either currently being shared or to be shared include business services such as human resources and finance, health services such as laboratories and public health, and operational services such as procurement and catering.

The most recent annual report (NHS Scotland, 2016) highlights that in 2015-2016, £36.2 million was saved through adopting national contracts, as well as £750,000 saved through national logistics. £2.2 million was saved through public/private partnerships, with 93% of local delivery planning being achieved as planned or beyond what was planned. There do not appear to have been any independent reviews and reports of the service, but the latest annual report suggests that shared services has led to cost reduction while maintaining service delivery.

Kingston and Richmond

In 2014, following public consultation, Richmond and Kingston councils launched 'Achieving for Children', a community interest company that delivers children services for both councils. The UK government rewarded it with £500,000 as part of its transformation fund, set up to reward local authorities seeking to transform public services. While other UK councils have been forced into sharing services (e.g. Doncaster and Slough), Richmond and Kingston initiated this process themselves in an effort to improve frontline services, on the basis that they could do more together than if they had stayed as separate departments within separate authorities. They particularly noted the importance of 'speedy decision-making and openness to new business opportunities' (Achieving for Children, 2015: 3). An Ofsted report praised Kingston's positive transformation of children's services under the new structure, saying that:

> "The integrated arrangement between the two local authorities is proving to be an effective one for Kingston. Children and their families in Kingston now receive coordinated, effective and timely early support from a wide range of universal and targeted services" (Ofsted, 2015: 6).

Kingston and Richmond local authorities are the equal owners of the community interest company. They have a joint committee that is responsible for ensuring that the company operates as both local authorities would like it to, and the first Chief Executive was a former employee of Richmond local authority. Both local authorities are required to approve the company's business plan and budget, as well as any significant investment or expenditure by

the company. Any financial losses made by the company are the responsibility of the local authorities.

Northumberland, Tyne and Wear, and North Durham

In 2014, NHS England requested that health and care systems across England collaborated to improve local services in the short and medium term. One example of such collaboration is Northumberland, Tyne and Wear, and North Durham, which brings together six clinical commissioning groups and six local authorities under one Sustainability and Transformational Plan (STP). Collaboration is still in the early stages, with a draft plan published in November 2016 undergoing public consultation. The draft plan identifies three key areas for collaboration: scaling up work on preventing ill-health; improving out of hospital care across the geographic area; and closing the gap in finances (South Tyneside CCG, 2017). The plan includes a series of changes to try and address issues relating to ill health in the region, focusing on integrated health services across the north east of England.

The STP is to be delivered over five years between 2016 and 2021, focusing on developing, implementing and then spreading shared services across the region. Based on their plans and consultations, the partnership is following much of the guidance on shared services. They have set out clearly the problems they wish to solve, identified measureable objectives over the short, medium and long term, and are aiming to consult as many people involved in the delivery and use of the services as possible.

Requirements for Effective Shared Services

There are a series of requirements if shared services are to be effectively conceived and delivered. The broad categories are set out below.

Effective Leadership

Kotter (1995) devised an eight-step approach to implementing change within an organisation, with a particular focus on leaders and leadership:

1. He suggests that organisations should create a sense of urgency to instigate change, in a manner that communicates the importance of immediate action;

2. This is greatly helped by a powerful coalition of leaders: effective people within the organisation itself that can guide, co-ordinate and communicate the organisation's objectives;

3. From the outset, the organisation needs to have a strategic vision and initiatives, to show how the future will be different from the past;

4. Constant and clear communication must be maintained throughout the organisation, so that everybody can move in the same direction;

5. Barriers and inefficiencies should be removed so that people have the freedom to change the organisation where needed;

6. Achievable targets should be set early on, so that progress can be shown early and often as services are shared;

7. These short term 'wins' should be built upon, in order to continually improve systems and delivery; and

8. Finally, change should be anchored in a new organisational culture, so that they replace old habits.

Most understandings of public sector organisational change exemplify a traditional, vertical leadership model (Kuipers et al., 2014). Borins (2002) also discusses bottom-up change in an organisation, where political leaders create a supportive climate by consulting staff throughout, recognising staff achievement, and promoting and protecting innovation from control-oriented agencies. It is about building trust within an organisation, and showing a willingness to experiment, rather than just 'rallying the troops'.

Effective Planning

A crucial aspect of effective leadership in the transition to shared services is effective planning. Sharing services is not a magic bullet. It is a complex option that can work only if the transition is co-ordinated throughout an organisation. When planned poorly, shared services can be a waste of resources and are unlikely to achieve their original outcomes. For example, a 2016 National Audit Office (NAO) report analysing UK Cabinet Office shared services found that it had so far been largely unsuccessful. While £90m had been saved through sharing services, £94m had been spent. Reaching similar conclusions to those in the academic literature (see McIvor et al., 2011), they argue that making savings and improving services can only happen

if organisations are willing to migrate their back-office functions to the new service provider, the new provider has sufficient incentives to provide the service, a clear business case is made at the beginning, and the organisation(s) agrees on a consistent, standard service. Effective leadership ensures common practice through monitoring risks and problems that might arise.

While the NAO (2016) report focuses on central government control of shared services in government departments, its conclusions are relevant to Welsh local government. It reaches conclusions about the UK Cabinet Office that the Welsh Government might find informative, particularly regarding the supporting and enabling role that central government might take in enabling shared services.

Firstly, it highlights that clear leadership is needed to encourage collaboration and ensure that all parties are realistic about timetables, and understand everybody's concerns. Second, where funding and accountability is devolved, the role of central government is key. Central government should consider how funding is distributed to minimise delays, and ensure that funding and contract negotiations do not compromise the whole service. It should also ensure that common finance and human resource processes result in simplified, standardised rules. Relating to staff and IT, central government should ensure that short term risks and issues do not dictate or damage long term objectives. Finally, central government should ensure that suppliers can deliver programmes before agreeing contracts, so that services are not subject to delay.

Communication

Whether sharing frontline of back-office functions, the transition to shared services is challenging. It requires lots of little things to be done well, in order to make a service not just more efficient, but genuinely collaborative in order to improve and sustain it in the longer term. This means that effective communication is vital. This is particularly the case between different parts of an organisation. For example, if those in charge of financial operations do not effectively communicate with those in IT, then important technical details (such as purchase of specific software) can get lost or delayed, leading to significant costs or damage to service.

In practice, this might require leaders to appoint people to mediate and translate where possible, or to set up formal arrangements to ensure that people within organisations understand each other's roles, requests and needs (Ulbrich and Schulz, 2014). It is vital that

as many people as possible within the organisation are involved in the transition, and that messages between them are clear and recorded (Kotter and Cohen, 2002).

Accountability

If shared services are to succeed, then shared services need to be accountable, to government and/or to the public. Having suitable legislative frameworks in place to provide a platform for collaboration is vital. In particular, attention must be given to maintaining the role of elected members and their oversight of services. One clear issue with this in Wales is the lack of regional government or electorate. In place of this, there needs to be an atmosphere of accountability in any shared service, being open to scrutiny. The specific structures will depend on the type of collaboration. If the services being shared are small in scale, then only small changes to existing structures might be required. If however there is extensive integration of budgets and services, then a significant change in accountability structures might be required (Ashworth and Downe, 2014). Ashworth and Downe (2014: 14) provide a series of suggestions:

1. Accountability mechanisms must be built into any arrangements from the beginning, to enable effective internal accountability throughout the organisation(s), and effective regulation by the regulator and scrutiny by government;
2. Regulators must better engage the public in evaluating public services; and
3. Effective scrutiny of shared services will require more resources, but also a change in culture to welcome scrutiny as a means of service improvement, rather than seeing it as burdensome regulation.

Timing

Often, an opportunity will present itself, and provide a chance for local government organisations to share services. A report from the LGA notes that timing can be a crucial factor.

> "Serendipity, some might say opportunity, played a part in triggering many of decisions we reviewed to share management: with the availability of a willing partner; a change of political leadership; the availability of transformation funding; or the imminent departure of a chief executive." (Local Government Association, 2016, 24).

This is not to suggest that the successful implementation of shared services relies merely on good fortune, but instead that planning and consideration of context can be very important. Councils need to be careful in timing their decisions wisely, rather than moving too quickly and not achieving the potential benefits of shared service delivery. However, they must also be ready to react and change when opportunities present themselves.

Barriers to Implementation of Shared Services

Barriers to effective shared service arrangements are often the corollary of the factors that bring about success. The key issues differ depending on context, but the most frequently cited are political and public opposition, communication, integration and leadership. A survey of UK local authorities conducted by Ipsos Mori on behalf of Browne Jacobson (2011) suggests that political and public opposition is one of the key barriers to delivering shared services in local government. International research also suggests that opposition to shared services is as likely to come from senior managers as it is elected members (Conway et al. 2011). Often, opposition can be summarised under the argument that local services need to be tailored to local need. Such argument speaks not only to issues surrounding service delivery but also local democratic accountability. It is important that this issue is addressed directly.

Crucial to addressing this issue is effective communication. Earning and maintaining the trust of colleagues in the early stages is important. However, Griffiths (2013: 24) is right to warn that trust does not become 'chumminess', where everybody comforts themselves with assurances that everything is straightforward. Earning the trust of collaborators is done by developing practices that are comprehensive, prioritise good quality service delivery and communicate that through the entire organisation. It is also important from the very beginning to track progress against key indicators, such as cost, delivery and staff turnover. This means

that if there is a case for change it can be made with authority, and assure there is continued momentum to share services (Local Government Association, 2012).

Borman (2010) analysed councils that adopted shared services in Australia. He found that there are a series of decisions that were made with varying degrees of success. One mistake one council highlighted was trying to do too much too soon. This is an issue for two main reasons:

1. Some councils might disagree on which services should be shared and which services should be maintained locally; and
2. Such projects can be too ambitious for the resources and IT systems available.

Challenges relating to IT services include the communication between IT and non-IT staff, pricing, and who maintains power and control of services (Ulbrich and Schulz 2014). Standardising processes across different IT services can also be time-consuming and expensive (Tanriverdi, Konana and Ge, 2007).

Issues Relating to Outsourcing

A continual concern with shared services is that they are privatisation by another name. However, as shown above, outsourcing is only one option when considering shared services and the National Audit Office (2013, 2016) reports that while there can be benefits in private sector delivery of public services, such as cost reduction and public service improvement, there may also be issues of poor performance and lack of accountability, as well as a danger that public services become overly reliant on providers who become 'too big to fail'. Issues relating to procurement law also need to be considered. They suggest that transparency is key, as well as ensuring that it is in contractors' financial interest to meet key performance targets. It is important to ensure that the contractors are not smarter than the commissioners.

Seselj (2016) argues that outsourcing and automating shared services can be successful, but that a lack of communication, collaboration, and workflow often lead to failure. Collaboration is vital, so that when problems occur conversations and investigations allow a speedy resolution. McIvor et al. (2011) analyses the experience of a UK public sector organisation (anonymous) that outsourced shared services to independent vendors. They highlight a series of challenges when creating outsourced shared services, along with some potential solutions. These are outlined in Table 1. This can be useful for local authorities that are considering outsourcing but wary of negative effects.

Table 1: Challenges and solutions from outsourcing services

Issue	Challenges	Potential solutions
Implementing outsourced services	Poor internal performance measurement makes it difficult to establish benchmarks for improvement; Over-reliance on outsourced vendors; and Inconsistency strains relationship with vendor.	Emphasis on performance improvement revisions; Staff transfers to ensure an effective transition of service; and Employ mechanisms to build effective relationships with vendors.
Process standardisation	Getting service redesign right first time; Resistance from parts of organisation(s); Inconsistent policies; and Time consuming to change policies and practice.	Design contracts to allow for process changes; Minimise redundancies and plan redeployment; Involve existing staff in the standardisation process; and Strong governance arrangements to deliver shared service.
Making the decision to outsource	Ineffective performance measurement system; Lack of internal knowledge of contemporary electronic human resource IT; and Lack of internal capabilities in specifying requirements.	Gather information to establish current level of organisation's HR performance; Engage with vendor to define requirements; and Engage stakeholders in key project decisions from the outset.
Source: McIvor et al. (2011: 458)		

Scottish Government Guidance Framework

The Scottish Government produced a guidance framework for delivering shared services in 2007. The then Cabinet Secretary for Finance and Sustainable Growth John Swinney was clear that shared services was seen as a way of improving efficiency. He wrote that 'shared services is a key element of our efficiency agenda', with the aim being to support shared services that provide 'smaller simpler government' (Scottish Government, 2007: 3-5). The framework is set out to 'provide information, education, guidance and case study examples to those considering shared services' and to those already implementing them (Scottish Government, 2007: 6).

Using profiles of successful and unsuccessful shared services, the guidance highlights a series of important factors in making successful transition to shared services.

- Firstly, strong leadership needs to cascade throughout the organisation, so that shared services are aligned not just with IT and procedural aspects, but also the wider business strategy and organisational model.
- Strong governance is crucial from the outset to set out how each stakeholder will be involved. The Scottish Government framework supports a theme running throughout this report by stressing the importance of presenting a compelling case for change, involving all employees.
- While cost-cutting is important, so is allocating adequate resources, as is choosing the right locations for services and staff so that additional costs do not arise over time.
- Finally, performance needs to be measured throughout so that progress can be tracked against established baselines, rather than constantly redefined targets and results.

In February 2017, the Scottish Government removed the guidance framework and it is planning to update it in light of new requirements. Scottish local authorities have advanced shared services over the last decade, and the Scottish Government wants a new set of guidance and advice to reflect this. Their website still provides advice across a range of issues relating to shared services, as well as the option to contact the Scottish Government for further advice or information.

The UK Government's Transformation Challenge Award

In 2014, the UK Government set aside £120 million to be used over the subsequent two years to fund transformative projects within English local authorities. It argued that councils need to redesign their service delivery, explicitly noting that a key method of achieving this was for different local authorities to come together to share not just staff and resources, but also core services. A DLCG report stated that it wanted councils to share 'all or some of their corporate services, workforces, information technology systems and assets' (DCLG, 2014: 3). In 2013-2014, 145 bids were made by local authorities totalling £66 million. Of those, 31 were successful from 71 local authorities or fire and rescue authorities. As yet, there are no authoritative reports of success or failure of the scheme, or the effect on shared services in local government.

The Welsh Government

The Welsh Government is already doing a significant amount to support shared services. The Regional Collaboration Fund (RCF) was introduced in 2013, and was designed to support collaborative working between local authorities and/or other sector organisations. This has been complemented by other Welsh Government financial support and other funding delivered by the Welsh Government from the European Union's European Social Fund. Funding has often focused on providing additional expertise. As shown throughout this report, this can be crucial in initiating and sustaining shared services. The specific success of Welsh Government support is hard to determine given the different contributing factors to shared service delivery. Evidence suggests that RCF and other Welsh Government support led to increased collaboration, and eventual organisational change (Downe and Hayden, 2016). However, the effects of this could be strengthened by giving councils and other organisations more time to respond to calls for funding, and being more innovative in supporting transformation of services, rather than merely providing pots of money.

The evidence suggests that the Welsh Government might help to develop successful shared services in a number of ways, including:

- Supporting councils to make sense of complex procurement legislation or contractual issues relating to staffing or resources;
- Assisting the establishing of networks between councils and instilling a sense of the need for change; and

- Minimising the risks in transitioning to shared services by providing income support and/or by playing an active role in the early stages of planning shared services. The UK's Transformation Challenge Award is an example of how this might be done in practice.

In addition to incentives and support, central government can exert pressure on councils to reduce costs or mandate collaboration. The National Audit Office (2013) argues that the UK government has recently seen 'contracting out as a way to reform public services and improve value for money'. However, as stated above, merely focusing on cost reduction is unlikely to maintain or improve service delivery.

Research on regional collaboration in Welsh local government has highlighted the difficulties and drawbacks of an entirely voluntarist approach (Martin et al., 2013). Griffiths (2013) argues that the Welsh Government needs to achieve a careful balance between mandating shared services and encouraging voluntary arrangements. In some cases, requiring local authorities to share services might be the best way of starting a cultural change within organisations so that money can be saved or that a more consistent and efficient service can be provided (Dollery et al., 2011). However, it is often when organisations recognise a problem and actively want to share services to solve it that the best results are achieved. Mandating without engagement will likely achieve little. The Welsh Government should be actively supporting local authorities to collaborate, and providing the advice, expertise and assistance that ensures effective services over time.

There is scope for the Welsh Government to support collaboration by placing emphasis more on public services as a whole, rather than just local government. A useful example here can be found in Cambridgeshire, where district councils, the police, fire service and Primary Care Trust have all come together in collaboration. Their collaboration is grounded in an objective that combining the property portfolio of the entire local public sector into a single strategic resource can make services more flexible and sustainable (Cambridgeshire County Council, 2011). As noted earlier in this report, ambitious strategies like this can reduce local government dependency on the ebbs and flows of national government spending. This could be an area in which the Welsh Government could actively support local government and other public sector organisations to plan strategically for the longer term.

Evidence Gaps

The literature on shared services is extensive, both in the academic context and via reports commissioned by governments or private research organisations. However, there is a lack of evidence about how to address common failures that arise during shared service implementation and overcome difficulties while services are being delivered. While reviews of shared services highlight failures, there is less evidence on how to address them. Part of this problem may be that once organisations have initiated shared services, they are disinclined to highlight their own failures, but to understand the reasons behind these and the potential to overcome them is crucial for the long term successful delivery of shared services.

There is also an evidence gap on the long-term impact of shared services on local government finances, the quality of the services it provides, and on user satisfaction and staff morale.

Conclusion

This report brings together evidence on shared services. In particular, it seeks to address why local government has considered or might consider shared services, what has helps them to be effective, and what role central government can play in enabling or supporting the adoption of shared services. There are number of important points to make in conclusion.

Before beginning the transition to shared services, it is good practice to have a thorough understanding of current and past practice within an organisation before implementing shared services. This not only provides short term achievable targets and benchmarks, but allows progress to be mapped over time. It is also important that evidence is gathered about expected results of shared services, and why shared services is the right approach. There needs to be evidence that shared services will deliver better outcomes that would not be otherwise achieved.

Once the process begins, it is important to establish a list short term and achievable milestones from the outset, so that success can be measured, and that it is clear to everybody in the organisation why collaboration is taking place. It is clear that cost reduction is the primary reason for introducing shared services, but this alone is unlikely to bring about successful shared service delivery. Achieving more consistent standards of best practice in service delivery must be a priority, as well as providing more sustainable long-term local government

by reducing dependence on other organisations or branches of government. Focusing on these outcomes provides more positive objectives for services rather than just cutting costs.

There are many necessary characteristics of successful shared services that stakeholders should follow during implementation. Research consistently points to the importance of strong and responsive leadership. Strong leadership requires those in managerial positions to drive change within an organisation, to sustain momentum and achieve the objectives of the shared service. Responsive leadership requires employees and colleagues to be consulted throughout the shared services process. This must not be tokenistic, or a means of keeping colleagues informed, but a two way process which listens to their advice about what works, does not work, and how best practice can be achieved. To this end, communication is vital throughout the entire organisation. Shared services only provide an opportunity to improve service delivery if everybody within the organisation is on board.

The evidence suggests that the Welsh Government could play an important role in supporting and enabling the development of shared services. Financial support is important - in the early stages of implementing shared services and as an insurance to lessen the risk for councils attempting ambitious collaborations. The Welsh Government is also in a strong position to provide legal and practical advice to local authorities considering shared services, building on work it has done in the past.

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