
Back Office Efficiency: Shared Services

Case Studies

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Summary

This report presents case studies of organisations who have improved the efficiency and effectiveness of their back office functions by developing shared service operations. Four key questions regarding the nature of developing a shared service organisation are used to frame the case studies:

- Working alone or in partnership?
- In-house or outsourced delivery?
- Single or multiple functions?
- Leading with structure, process or technology?

Eight case studies are presented in this report. These are Anglia Support Services, Berkshire Shared Services, Cambridgeshire and Northamptonshire partnership, Cheshire HR Shared Service, Knowsley Health and Wellbeing, LaSCA, NOMS and Southwest One.

The case studies highlight that benefits can come from both cost savings through reduced transaction costs and headcount as well as from improved customer service and consistency of delivery.

Based on these case studies and IES's broader experience, the critical success factors in establishing a shared service are presented. These include:

- making an informed and context specific decision
- having the right people to establish and manage the operation
- aiming for a high degree of standardisation and automation
- focusing on defining and achieving both cost efficiency and customer service
- managing the change process and staff expectations

- providing consistent and strong senior leadership
- developing the skills of collaboration, partnership working and supplier management
- establishing and monitoring a range of appropriate measures.

1 Introduction

1.1 Background

The looming financial crisis facing the NHS (and the public sector generally) is encouraging leaders to think more creatively about all aspects of their organisations. One area which is coming under increasing scrutiny is back office systems. This focus was reinforced within the NHS Operating Framework, published at the end of 2009, which stated that: *'Both (primary care trusts) and NHS trusts will be expected to explore the opportunities identified under the cross-government Operational Efficiency Programme, where further efficiency savings can be secured from 2010/2011.'*

Earlier this year, therefore, the Department of Health launched its strategy for delivering the quality and productivity challenge which faces the NHS over the coming years. A number of workstreams in three key areas have been identified as key areas for focus. This includes *'Back office efficiency and optimal management'* under the area of *'Provider Efficiency'*. The current report was commissioned as part of a scoping exercise to inform the way this workstream develops.

1.2 Study objectives

In order to help decide on the future direction of this workstream, the project set out to identify a number of examples of good practice, producing around six case study *'vignettes'*. For the purposes of this study, back office services include Finance, Payroll, HR, Estate Maintenance and Management, Informatics (IM&T), Governance, PR/Communications and Fleet management.

The particular focus of the work was on shared services arrangements. Shared services offers the opportunity to obtain service cost reductions through achieving economies of scale by bringing together disparate activities into one place, either within one organisation or across organisations.

1.3 Methodology

With the aim of identifying the six case studies, a long list of possible candidates was drawn up based on a brief literature review and IES's existing experience of shared services. The literature review was based primarily on business publications, previous studies (see Appendix 1) and online case studies rather than academic material which tends to date rapidly and hence not reflect the current state of application. The focus was on identifying examples in the NHS, wider healthcare or broader public sector.

The idea behind shared services is that activities performed locally by business units are re-engineered, streamlined and then combined so that the business units 'share' the service delivery solution. There is a common provision of services with (in theory) the nature of the services determined primarily by the customer. This can happen within one organisation or between a number of organisations.

The list is not an exhaustive catalogue of all shared service implementations but serves to provide an illustration of the types or arrangements which exist. The examples are presented in Appendix 10 with a short description of each together with links to more information where this is available.

From these, eight were selected in consultation with the NHS Institute and Back Office Efficiency team to provide a range of different examples. Semi-structured telephone interviews were carried out with representatives from each of these; in some cases those responsible for running the shared service, in other cases clients of the shared service and in some cases both.

2 Key Questions

There are three key questions to be addressed when considering what model to adopt for shared services, together with a fourth question about the sequence in which change should occur. Where examples are provided, further details can be found in Appendix 10.

2.1 Working alone or in partnership?

Larger, more complex organisations with multiple sites delivering variations on a particular service may be able to achieve the scale and savings necessary to make shared services worthwhile by bringing together their delivery in one centralised service within their own organisation, thereby creating economies of scale and greater consistency in service. A good example of this would be Surrey County Council.

Smaller organisations may not have the scale necessary and so will need to work with other organisations to create the economies of scale. These other partners may be other NHS Trusts or other public sector organisations such as local government, police and so on. Examples include Southwest One and Cheshire HR shared services.

This does not mean, of course, that larger organisations may not also gain further benefits by working in partnership with other organisations as, in theory at least, the greatest potential for efficiency savings are in models that bring together the most existing administration centres.

2.2 In-house or outsourced delivery?

A shared service operation can either be established and retained in-house or outsourced to a third party, or parts of it can be outsourced. The choice here revolves around the relative capability of in-house and outsource providers to offer the required level of service and the cost that they can offer this at. Outsource

providers can rapidly offer access to new technologies (such as self-service) that cannot be financed internally, and may allow savings to be realised faster. An important element to consider is also how any provider will respond to, and indeed, drive changes in the service offered as this is unlikely to stay fixed over the lifetime of any arrangement and the capability to adapt is essential. In some cases, the technology provider becomes a partner in the relationship rather than just an outsourced provider (*eg* Southwest One and Rotherham Council).

An alternative approach to this question is where one (or more) organisations develops a capability and then makes it available on a commercial basis to other organisations (*eg* Berkshire, Anglia).

2.3 Single or multi-function?

Some organisations have started with single functions (*eg* HR, Finance, IT, Procurement) setting up their own shared service operations, but after a while the question gets asked as to whether it would be better to have all administrative activity in one place, irrespective of these functional differences. However, some partnerships decide at the outset that they want to share multiple functions particularly when they plan to involve an outsourced provider. Having multiple shared services can reduce technology and property costs as well as allowing a single management team. The argument against having multiple functions is whether there is in practice much real overlap or multitasking possible, and hence savings to be generated. As a result, some organisations do have shared services for multiple functions but they have established them separately with different partners (*eg* Cheshire).

2.4 Leading with structure, process or technology?

There is a need to decide in what sequence to introduce structural change that delivers shared services. Do you do it before or after systems change, and before or after process change, or concurrently? Some organisations take the view that you need to create a new organisational structure in order to drive through changes to processes. Other organisations think that the place to start is the purchase of a new system and that its functionality specifies the sorts of processes that are needed and in what form. Once the organisation does this process modernisation, it will be clearer how best to structure the function(s), both the numbers of staff that will be necessary and the organisation of roles.

Those that favour reform of processes as the initial change action take a view that this should be done before restructuring, but believe that processes should be defined first before deciding on any investment in technology. The commonest approach is the concurrent one that recognises the inter-dependence of structure,

systems and processes and tries to effect change in all areas simultaneously (or at least in one integrated project). This process of change is in some ways more complex for multi-organisation shared services, but in other ways can be simplified as the establishment of the organisational structure (at least at a high level) will need to be done first.

3 Case Studies

The case studies have been chosen to illustrate different approaches and aspects of the questions described in the previous section. The full case studies are presented in the appendices and short summaries of each are below highlighting the differentiating factors of each.

3.1 Anglia Support Partnership

Anglia Support Partnership which provides a wide range of support services was established by a partnership of NHS organisations in the region and now provides services to 26 other organisations.

3.2 Berkshire Shared Services

Berkshire Shared Services provides finance, estates and facilities, and health informatics services to its three owners (two PCTs and one Mental Health Trust) and sells services to a range of other client organisations.

3.3 Cambridgeshire and Northamptonshire

Cambridgeshire and Northamptonshire County Councils (CCC and NCC) operate a shared ERP system (including finance, HR, online procurement and payment) through an outsourced IT service provider (Fujitsu).

3.4 Cheshire HR shared services

Cheshire HR shared services is a single function shared service provided to three NHS organisations, hosted at one of the three organisations and delivered through a Service Level Agreement (SLA) partnership arrangement.

3.5 Knowsley Health and Wellbeing

Knowsley Health and Wellbeing is a partnership between Knowsley PCT and Knowsley Metropolitan Borough Council which focuses on providing front line services to the community supported by shared back office functions. A Section 75 partnership arrangement allows for pooling of budgets and a single executive team.

3.6 LaSCA

LaSCA operates as a partnership agreement between PCTs in the North West to deliver Family Health Support Services on behalf of PCTs.

3.7 National Offender Management Service (NOMS)

NOMS shared services is a three function service initially developed for one organisation and now being provided to other government departments.

3.8 Southwest One

Southwest One is a public/private joint venture partnership formed in 2007 between Somerset County Council, Taunton Deane Borough Council, Avon and Somerset Police and IBM.

These are summarised in Table 3.1, following.

Table 3.1: Summary of case studies

Case study	Summary	Alone/partnership	In-house/outsourced	Single/multi-function
Anglia Support Partnership	Portfolio of services provided to range of NHS Trusts	Partnership	Developed in-house; now provided to others	Multi
Berkshire Shared Services	Portfolio of services provided to range of NHS Trusts	Partnership	Developed in-house; now provided to others	Multi
Cambridgeshire/ Northamptonshire	Shared ERP system shared between local authorities	Partnership	Outsourced to Fujitsu	Only technology is shared
Cheshire HR Shared Service	Single function shared across organisations	Partnership	In-house	Single
Knowsley Health and Wellbeing	Front line focused service provided by PCT and local council	Partnership	In-house	Shared front line service provision supported by back office functions
LASCA	Many services provided to many organisations	Partnership	Developed in-house; now provided to others	Multi
NOMS	Three functions shared across organisations	Initially alone expanded to other organisations	In-house	Multi
Southwest One	Public/private Joint Venture	Partnership	Joint venture	Multi

4 Key Lessons

4.1 Business case

The scale of both cost savings and service improvements clearly depends on the starting point of organisations and hence it is important to understand at the start the current level of efficiency and service being delivered to be able to identify what benefits are possible.

A number of the Shared Services described came into being as a result of structural change in the NHS and hence not all organisations are able to specify clearly the financial benefits that they have achieved from the start. Most though are able to articulate ongoing reductions in unit costs of delivery and improvements in service that have occurred. Examples of cost savings include:

- saving of overhead costs such as management and premises
- reduced transaction costs through economies of scale
- reduced headcount
- lower cost of procured goods and services.

Examples of service improvement include:

- speed of query resolution
- accuracy of payroll and speed to pay expenses
- better quality management information.

It is also important to recognise that there is often investment required to establish a Shared Service operation and that this needs to be set against the savings that can be achieved when deciding whether to proceed or not, and over what time a return on the investment will be achieved.

4.2 Key decisions

Returning to the key questions described in section 2, it is clear that there is not just one answer but that the solution depends on the particular circumstances and objectives.

That said, it is perhaps more common for a shared service operation to provide more than one service (eg HR, finance, procurement *etc.*). This is particularly important when there is significant investment in technology to support the operation as the cost of this can be spread across more than one service. It is important to consider which services can or should be shared, and also whether one shared service organisation is appropriate for all services. Some Trusts work with different shared service organisations for different services.

The scale of operation is an important determinant as to whether shared services is a good solution or not. Below a certain number of employees as customers, it is unlikely that one organisation alone can justify the cost of establishing a shared services operation and, even where one organisation does initially go it alone, they often later look for other organisations to bring into the operation to further leverage the economies of scale. Hence, except in particularly large organisations, shared services tend to be established by a combination of organisations in some configuration although one of these may be the lead player and host the operation.

The in-house versus outsource question is blurred slightly by the fact that some shared service operations are established within a partnership of organisations and then start to provide services on an outsourced basis to other organisations. In other cases, organisations have established a partnership or joint venture with a third party supplier rather than contracting on a pure outsourced basis. All three options (outsource, partnership, in-house) should be considered and evaluated based on the specific business requirements, the scale of the organisation(s), the complexity of the services being considered and the internal capability of the organisation to deliver its own solutions.

Ideally, all organisations would have standardised their processes (to a large degree) before engaging with a shared service or that this becomes part of the implementation process as organisations and functions are brought into the shared service operation. However, it is likely that in some cases this may not be practical and that the first stage is simply having a common management structure and approach and that over time the standardisation occurs and new systems are implemented.

4.3 Critical success factors

Whilst recognising that every case is different, there were a number of key messages about the critical factors for ensuring success.

First is the importance of **having the right people** in place, both to manage the initial project or implementation and then to run and staff the shared services on an ongoing basis. It is a complex process to implement a shared services operation and it is highly advantageous to have people who have done it before involved in leading the project to ensure that organisations do not try to reinvent the wheel. On an ongoing basis most operations are established with a customer service ethos and it is important to recruit or develop people so that they have this mindset to work in the centre. Continuing to improve the efficiency and quality of service after the operation has been established is important also, and so having people in the organisation that can lead process improvement in this way is a key priority.

There is also a need to retain an **intelligent client** capability within the partner or client organisations. That is to say the ability to understand what the Shared Service operation is providing and challenge this in a way to ensure that you are getting the service required, and not just abdicating responsibility to the shared service.

Following the process theme, it is important to aim for the **highest degree of standardisation and automation** possible to drive out the greatest level of savings. It is recommended that processes and policies are streamlined and standardised as much as possible before the creation of the shared service but this can continue afterwards also. Automation and devolvement of responsibility to managers leads to large savings in the costs of processing transactions.

Whilst the focus of most shared services is on **saving costs** initially, it is also an opportunity to **improve service quality and consistency**, and both should be part of the planning process. The service provided to managers and staff may be different from what they received in the past (for example they may not have an individual HR advisor that they can contact) but the service is now what the organisation has defined as fitting its business needs to deliver cost savings.

In all cases, it is likely that the service will change for staff in the client organisations and a **well managed change programme** is essential to ensure the success of the implementation. This includes communicating what people can expect from the service, what is required of them and managing their expectations about the change process. It is also likely that staff will need to be trained in any new systems that are provided. Experience also suggests that an incremental approach to bringing services into a shared operation is preferable though this may not always be practical.

Consistent and strong leadership from the top of the client organisations is critical; to ensure that the shared service is embraced and managers do not fall back on their old ways of operating (by for example recruiting staff to do the work on the new system for them). This also can require a perspective on the longer term as the return on investment can take time to be achieved and the process may not go smoothly and it is important to stick with it through the challenging times.

Since these types of arrangements are typically collaborations between different organisations, the important of **building strong, trusting relationships** is important and these need to be supported by putting in place the correct **governance arrangements** which allow all parties to have the appropriate influence, and ability to monitor performance. In addition, it may be appropriate in some circumstances to have strong contract and supplier management skills.

Having a strong suite of **performance indicators** tied to the objectives of the shared service and its clients is important for the overall governance but also for the ability of the operation's management team to continue to improve its efficiency and service. These should cover measures of both efficiency (cost), quality of service and customer satisfaction and be compared against a benchmark set of measures established prior to the change in operation.

4.4 Summary: Getting it right

Preparation

Be clear on the objectives

Build a base case of current costs, resources, activities *etc.*

Clarity on the big decisions

Whether to partner and who with

What functions to include initially

In-house/outsourced solution

Plan a phased sequence of change

Undertake consultation and communication

Ensure that all staff understand the business objectives

Communicate and consult with staff directly involved

Communicate and train all staff in new policies and processes

Specify the new operation

Set clear goals for the shared service operation

Simplify and standardise processes

Automate wherever possible

Plan for both cost and service improvements

Aim for a high degree of co-location of staff

Devolve responsibilities to line managers

Establish the right team

Include people that have done it before

Be clear about the roles and how they relate to the parent organisation

Focus on staff development within the shared service

Retain an intelligent client capability

Measure progress

Measure efficiency and cost of delivery

Measure quality of service

Measure customer satisfaction

Governance

Provide strong and consistent leadership

Put in place the appropriate governance structures for partners and clients

Appendix 1: Further Reading

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Appendix 2: Anglia Support Partnership

Summary

Anglia Support Partnership which provides a wide range of support services was established by a partnership of NHS organisations in the region and now provides services to 26 other organisations.

Background

In 2001 following restructuring of the NHS organisations in the region, the eight trusts recognised that they did not have the scale to provide the full range of support function on their own and so they collectively decided to aggregate their services in a shared service organisation to be called Anglia Support Partnership (ASP).

Following further reconfiguration within the NHS, ASP now has five partner organisations who are stakeholders in the business. ASP is a non-statutory organisation and this means it must be hosted by a statutory NHS body, in this case Cambridgeshire and Peterborough NHS Foundation Trust whose Chief Executive and Trust Board are ultimately accountable for ASP. The risk management requirements of being a Foundation Trust meaning that they must retain the final say over any decisions made by the partnership board in case these are not in the interests of the Trust. In practice, this has not been an issue. Between them, these organisations employ more than 10,000 people. ASP operates as a separate arms-length trading entity with its own management team and provides services to 26 other organisations, and the catering arm to about a further ten.

ASP employs over 600 staff and has income of approximately £33 million of which two thirds comes from the partner organisations.

Business case

Driven by the restructuring of the NHS at the time, the business case was centred around achieving critical mass, sharing of expertise in specialist roles (eg Information Governance), resilience through access to greater depth of resources and efficiency through aggregation of services.

Implementation

ASP was established by taking the internal support functions out of the founding partners' organisations and creating a shared service organisation. A key focus of this process was the cultural change necessary to break the ties people had to their old organisation and to help them move into a world of customer service, service level agreements and performance reporting. The focus when recruiting new people to the business has been on customer service skills.

The service portfolio now includes:

- shared services (financial services, purchasing, employment services, primary care services, fleet management)
- business support (informatics, risk support, media and systems, service development)
- infrastructure services (IT infrastructure, estates and property, facilities and contracts, catering, service desks and sterile services)
- corporate services (business planning, communications, HR, finance and performance management).

They are governed by a board of representatives from the five partner organisations which share in the risk and reward of the business. Whilst it is a not for profit organisation, if a surplus is achieved this is passed back to the partners and similarly if a deficit occurred (it has not so far) this would also be shared.

During the first four or five years of operation, the focus was on driving cost improvement using, for example, lean approaches, allowing the transactional unit cost for the partners and other client organisations to be driven down. The approach was to ensure that any paper based processes were automated as much as possible and supported by applications either developed in-house or from the market. Client organisations are encouraged to use the standard processes available although non-standard versions are available at an increased cost. More recently, the focus has been on expanding the client base as it is with increased economies of scale (spreading of investment and overheads) that further reduction in unit cost will occur.

Whilst retaining its roots in the NHS, ASP is very much a commercial, outward looking organisation looking to grow and return benefits to its partners through cost improvement.

Benefits

Because ASP was established at the same time as the new trusts (actually before), there was no calculation of cost savings at that time. However, since the first year of operation, ASP has reduced costs by some 20 per cent and achieved cumulative savings of around £25m which have been channelled into front-line care. These savings are in addition to any that client organisations may gain by moving their support services to ASP which vary from organisation to organisation.

Having support services provided by specialist staff at ASP has allowed the partner and client organisations to focus on their core functions through times of radical and rapid change without having to divert vital management attention away from the core focus of delivering patient care.

Having been operating for eight years ASP is now able to bring great understanding of running and improving support services which allows the client organisations to take advantage of the improved unit costs.

Critical success factors

Recruiting and developing staff to have the skills necessary to operate in a shared service environment with a customer service focus has been key to the success of the organisation, including providing people with the opportunity to have a career within shared services. As well as customer service, a further key area of knowledge and skills is the ability to deliver and continuously improve processes.

This requires that the organisation reaches a critical size to justify its own management team and the level of specialist resources needed to provide the range of services effectively.

Having strong relationships between the shared service operation and the partners and clients is important at all levels. This includes senior management taking a longer term view of the benefits of the operation and, particularly in the early stages, maintaining belief as things inevitably go wrong.

It is also important to put in place a governance structure and financial relationship which works for all partners and which allows the shared service organisation to operate in a way which fits with the partners' requirements. If the organisation is to compete for work with other suppliers including private sector

companies then having risk management frameworks and decision making processes which allow this to happen are necessary.

Future

To drive further economies of scale and hence reduced unit costs for the partners and other clients, the organisation would continue to increase the number of clients that it serves.

The legal status of ASP is continually re-examined but currently the legal position requires it to be hosted by a statutory body. There is perceived to be an opportunity to reduce future NHS pension costs over time by changing the legal situation, allowing a separate legal entity (*eg* Social Enterprise) to be created and having new staff join a different pension scheme.

It is also recognised that further reducing unit costs through economies of scale can only go so far and that a time may come when other options with the private sector and/or offshore solutions may need to be considered.

Appendix 3: Berkshire Shared Services

Summary

Berkshire Shared Services provides finance, estates and facilities, and health informatics services to its three owners (two PCTs and one Mental Health Trust) and sells services to a range of other client organisations.

Background

On the formation of six PCTs in Berkshire in 2001, it was recognised that these organisations were not sufficiently large to justify having their own services in the areas of finance, estates/facilities, health informatics and HR (as well as others which were provided separately from these). It was established with its own board and non-executive directors from the PCTs and it was clear that it was focused on growing and serving a wider market. At the same time, Chief Executives were appointed to each of the trusts, and came into post with the organisation called Berkshire Shared Services Organisation already in place. After 18 months it was recognised that it was not working for them as it had become an organisation with its own goals beyond that of serving its client PCTs. HR was returned to the partner organisations at this stage as it was believed by the partners that they were 'people organisations. and so should retain ownership of this key department.

The name was changed to Berkshire Shared Services (BSS) and a more client focused approach to providing services adopted. Now, with the three owner trusts (Berkshire East PCT, Berkshire West PCT and Berkshire Healthcare Foundation Trust) a risk and reward sharing agreement is in place. (BSS is hosted by Berkshire Healthcare Foundation Trust.) It is clear that it is there to serve these three trusts and they direct what is required. It also sells individual services within the portfolio to other organisations where it has specialist expertise such as strategy, advice and support, security management and specialist training. It has over

£165m of assets under management. (BSS also now operates Derwent Shared Services but this is not discussed here.)

BSS is operated from a single headquarters location although most staff (430 out of 500) are based at client sites or, in the case of many health informatics staff, at one of the PCTs where the IT infrastructure is hosted. Similarly some staff are dedicated to a particular client whilst others may serve a number of clients. Both location and degree of dedication to a single client depends on the nature of the service being offered.

Business case

The business case was originally, and remains, the ability to provide an expert service at a low cost to organisations that would not be able to do so for themselves. Hence, it is a combination of both providing customer service but also a way to reduce costs through economies of scale.

Savings can come from the removal of duplicate overheads such as senior management or rationalisation of the premises portfolio, as well as through reducing transaction costs through the standardisation of systems and processes.

A further strand to the business case can be the ability to assemble and access a critical mass of scarce skills in one organisation that can then be deployed across a range of organisations, for example security management and strategy development.

Benefits

Since its creation, clear financial benefits have been identified and calculated:

- £2 to 3 million of cost avoidance when the organisation was initially established.
- There has been a subsequent three per cent year on year reduction in costs leading to a further annualised savings currently of £5 million.
- It has been estimated that there has also been £3 to 4 million in recurrent cost avoidance through better procurement processes.

These figures can be compared against a total budget for BSS of £30 million (of which £18 million is for the partner organisations).

In a recent exercise to review whether the partners should continue to operate through a shared service operation, the three partner organisations estimated that they were each saving £750,000 on a budget of £6 million (pro rata) each year compared with establishing services independently for themselves.

In addition to the financial savings, a clear benefit for the partner organisations is the stability provided by BSS in continuing to provide these support services whilst significant change happens within the sector, allowing managers in the client organisations to stay focused on their core services and delivering patient care.

Critical success factors

It was noted that whilst the financial business case currently is probably particularly compelling for many organisations, they also have to want to engage in a sharing of services otherwise it can become a battle of control and sovereignty over ownership. It also can inhibit the change management needed internally to ensure that staff are accepting of the new relationship if senior managers are not wholly on-board themselves.

It has been critical to the success of the partnership that the partners own the service that is being delivered, that BSS does what they each require individually rather than having a standard approach which partners and clients have to buy into (although achieving as much standardisation as possible is also important to deliver cost savings). Also important in this context is that the organisation is there to serve its clients rather than seeking to grow or change for its own sake. The success of BSS since its relaunch has been put down to the relationships that have been built between the organisations and the desire to ensure a good service and cultural fit. An interesting part of this relationship focus is that many of the staff of BSS are based at client premises rather than all being in a single central location.

It is important to consider carefully what services or elements of services should be provided on a shared basis. For example, transactional finance and financial accounting might be appropriate as it is relatively standardised, but management accounting, and the presentation and commentary on financial accounts are specific to and important for the running of an individual trust.

An example demonstrating these last two points was the recent bringing on of a new client which took around 18 months from initial contact to having an agreed SLA. This allowed both organisations to ensure that there was a good fit, gave time for the relationships to be developed and also for the client organisation to become clearer about what services it actually wanted. This also highlights the fact that it can take time to move to a shared services situation.

In selecting a shared service provider it is important to ensure that the services fit with their core competencies, that they are going to be able to add value and that they have the capability to drive out savings. A good provider will also have the ability to help the client organisations think about what services they require rather than just delivering what might be given in an initial specification.

Similarly, it is important for to have an 'intelligent client'; *ie* a capability within client organisations to understand and challenge what the shared service is providing, rather than just abdicating responsibility and accepting what it receives.

From the shared service provider's perspective, they need to have the appropriate relationships or presence at board level in client organisations to ensure that they have the ability to influence the delivery of savings which can also depend on the actions of staff in the client organisations.

There is almost always a degree of change for all staff (not just those directly affected) by the moving of services into a shared arrangement and it is important to have clear change management and communication processes in place to ensure that these changes happen successfully.

Future

In the future, it is likely that the service will seek to grow by offering its services to a wider range of organisations allowing greater economies of scale to be achieved, rather than stretching the range of services beyond the organisation's core competencies.

Appendix 4: Cambridgeshire and Northamptonshire Shared Services

Summary

Cambridgeshire and Northamptonshire County Councils (CCC and NCC) operate a shared ERP system (including finance, HR, online procurement and payment) through an outsourced IT service provider (Fujitsu).

Background

In 2007, CCC was already operating a version of the Oracle eBusiness Suite but the system was nearly six years old and the hardware was near capacity posing a threat to business continuity. The cost of upgrading the associated hardware would have required over £1m investment. For CCC, creating a shared service represented an opportunity to transform corporate back-office finance and HR functions whilst upgrading the system at reduced cost.

NCC did not have an ERP system and its operations were based on a number of legacy systems that were not fully integrated. The shared services route provided the opportunity to implement a single, integrated system and to take a strategic view of back office operations.

From the beginning, there was also an intention to develop a service which would allow other authorities to join easily and the system was deliberately designed to allow this. The new system has now been operating for 18 months and benefits already realised with further improvements in the pipeline.

Business case

For CCC, the business case was built around three areas:

- The efficiency and cost savings that could be achieved through reduced transactional costs as well as lower technology costs and staying ahead of the game with appropriate technology.
- Developing the idea of partnership working with similar organisations to work across existing geographical boundaries.
- To provide 'grit in the oyster' to drive further change in their own use of the systems and processes.

In CCC, whilst the members clearly understood the benefits for sharing services, there was careful consideration of the size of the benefits set against the investment necessary to achieve them and the timeframe that they would be realised over. Careful planning was undertaken to ensure that the benefits would indeed be realised.

Implementation

The solution enables the two Councils to share the delivery of back office processes and transactional services across a range of key functions, including finance, human resources (HR), on-line procurement and payment facilities. The underlying infrastructure is owned, hosted and managed by Fujitsu, which also provides shared technological support and application development. (It is also unusual in that Fujitsu engineered the solution by incorporating its own ERP hosting requirements.) The ERP implementation was designed to be as standard as possible to make it easier for up to eight other organisations to join.

Governance is through a Joint Committee of members and officers from the two (or more) local authorities. Separate company models were explored but it was considered that these could be challenged in law, and that there were legal risks to pursuing these although case law may change this in the future. Fujitsu has operated as a sub-contractor and the contract is currently (June 2010) out to tender. All staff in the shared services are employed by their own authority although some senior staff also have an honorary contract with the other organisation. The business processes of both organisations were mapped against industry standards and expert staff from each organisation were able to apply their knowledge to identify opportunities for improving the system and processes to best fit the individual councils' needs.

A programme manager was recruited who had experience of both the sector and implementing shared services and a high level of authority was delegated to the project board to allow them to make decisions on a timely basis. Standard and professional project management approaches (PRINCE2) were applied with

regular progress reporting. Teams in both organisations operated to jointly agreed work plans reporting to a joint implementation group.

Both authorities recognised the importance of communications with staff and put in place communication strategies that were appropriate for the changes that they were making. A shared team was established for managing the day to day functions of the ERP system. CCC used its existing Business Support User Forum as a way to engage with users.

Benefits

NCC is now working with an integrated ERP system for the first time allowing not just cost savings but also better quality data to support enhanced decision making. CCC has a more robust system that is better able to deal with future demands and has been able to take advantage of the improved functionality and processes available. To date, CCC has identified £750,000 in annual savings on a £10 million baseline cost, with two thirds of this from reduced transactional staff costs and the balance from lower IT service costs. This included bringing payroll back into the service from previously being outsourced.

Critical success factors

Employing a project manager with directly relevant experience and the use of professional project management methodologies has ensured that the implementation has gone smoothly and rapidly.

Working on a partnership basis, the two organisations were prepared to compromise in the best interests of the project as a whole and this flexibility has been very important.

It is important to give adequate time to begin discussions with a partner and reach an understanding of what is required and how the relationship would work. In this case, it took two years from initial discussions (with an already friendly relationship) to having an implemented system in place.

Further developments

There is ongoing consideration of what is the most appropriate legal structure for the relationship. It is still intended that other organisations will join and Slough have signed an agreement in principle to join when the time is right for them. Within the two existing organisations there is also further process and cost improvement planned.

Appendix 5: Cheshire HR Services

Summary

Cheshire HR Service is a single function shared service provided to three organisations, hosted at one of the three organisations and delivered through a Service Level Agreement (SLA) partnership arrangement.

Background

In the first six months of 2007 Cheshire HR Service (NHS) was created. It was formed by combining elements of the HR activities of three sovereign NHS trusts (East Cheshire NHS Trust, Central and Eastern Cheshire PCT and NHS Western Cheshire).

Business case

The Trusts were looking to see how they could increase efficiency in their HR functions and maximise their resources. The plan was that the creation of common service provision for some HR activities, whilst continuing with separate and organisationally specific activities for other HR work, would deliver this.

Implementation

Because the statutory requirements of NHS trusts made it hard to establish a separate legal entity, the service is described as an 'SLA partnership arrangement'. It is provided by East Cheshire NHS Trust, via 'Cheshire HR Service', to the three Trusts through clear service level agreement arrangements. There are accountability, governance and risk sharing arrangements in which the provider organisation (East Cheshire NHS Trust) and the customer organisations agreed to some partnership conditions, such as redundancy liability should the service cease and have input in developing governance and management arrangements.

The governance framework was straightforward to establish, but it has taken time to develop and embed new processes, create the detail of the SLA specifications and work with the financial model. The original governance structure has undergone modifications. After an initial attempt to draw the leadership of the three Trusts into a common body, it was decided that the principal governance would reside in East Cheshire NHS Trust as it hosts the service. Their Chief Executive, Director of Finance, two non-executives and the HR Director and Business Manager meet on a regular basis as the HR Governance Board to overview Cheshire HR Service's performance and risk management on behalf of the three organisations. Cheshire HR Service then also meets regularly in stakeholder meetings with the Finance Director and HR service leads of the Trusts to consider performance against the SLA's KPIs and budget. The intention is to invite the Trusts' CEOs to this stakeholder meeting every six months.

Employees originally retained their original employment contracts with one of the three participating organisations, but a couple of years after the start of the operation, in April 2009, staff were transferred to the Provider organisation's employment (East Cheshire NHS Trust) on the basis of TUPE. This had always been the intention, but it had been decided to wait until the new service bedded in and any employee anxieties diminished. Employment by Cheshire HR Service would have been preferable, but would have been expensive and time consuming to achieve, given the current legal status of Trusts.

Cheshire HR Service's 125 staff are based in various locations and operate with a £4.3m budget. There are no professional HR staff retained in any of the Trusts outside this virtual organisation.

It provides the following shared services:

- HR administration (including recruitment services, management information, records management and learning and development administration) at Macclesfield
- learning and development across various locations
- employee wellbeing service
- occupational health and payroll (outsourced but the contracts are centrally managed).

There is a small Business Management team as part of the corporate section that oversees the business arrangements of Cheshire HR Service and facilitates the infrastructure of meetings, performance, finance and technology.

There are business partner teams for each of the Trusts that cover strategic development, employee relations, policy development, workforce planning,

diversity and employee engagement. A modification to the service delivery model is in the process of being implemented. Strategic business partners concentrate on workforce planning, but will also now give more attention to OD and the people aspects of complex change and service redesign. Operational work, especially including employee relations, will be transferred to a new central consultancy team that will support all the Trusts. Another addition is a team of 'people coaches' to assist line management develop their people management capability.

There is also a change of mind set within the shared service – 'old colleagues are now customers' sums up the shift towards the new business focused approach. Trust must be built with customers so that they have confidence in HR's setting of service standards – 'good service delivers the brand'.

Benefits

A review of its first year of operation revealed the following benefits – points that have been reinforced since:

- a more 'committed relationship' between HR and the organisation
- increased internal benchmarking and an associated questioning approach to service delivery
- improved networking and support within HR
- a more commercial and cost aware attitude by HR staff to service provision
- better career opportunities and access to training for HR staff
- standardised processes allow for higher levels of productivity
- a wide customer base allows for better development and sharing of best practice
- critical mass supports proactive workload balancing.

It has also become clear since that Cheshire HR Service has out-performed its savings target. (Precise figures are hard to quote because it is difficult to compare the 2007 and 2010 costs on a proper like for like basis.) Customer perceptions of the service have also improved over this period and are above average for their type of Trust, as shown in the customer survey conducted by IES for the NHS North West.

Summarising the advantages of the model, they are:

- costs can be reduced through economies of scale
- duplication of effort can be reduced

- skills (resources) can be pooled for the benefit of all parties
- knowledge sharing can be easily achieved across the three Trusts
- the function can benefit from the different perspectives obtained through working with different organisations
- organising in this way can produce a business-like and very professional service
- it can be more flexible to respond to changing business circumstances.

Critical success factors

Learning from this case shows that there is no 'one size fits all' model for successful shared services implementation and, in partnership arrangements, recognition of the cultural and operational differences between organisations must be acknowledged.

All processes should be reviewed at the planning stage to see if they are still fit for purpose before embarking on structural or sourcing change. There is a need for lessons to be learned early on to adjust service delivery and for the model to be responsive especially to wider organisational change; but also to improvements in practice, so the organisation should remain attuned to evidence based HR research.

An area identified at the first year review for development included improving IT synergy between the Trusts; avoiding demand creep from some customers, while making others more aware of the service delivery model (both the services themselves and who in HR is responsible for them); and developing an induction programme for new entrants to HR so that they understand the model's complex features.

The 2010 perspective is that more investment is needed in technology and a self service system used by Barts and the London NHS Trust is to be introduced that should lead to further efficiencies. Lack of IT synergy is one of the model's drawbacks that has not been overcome such that Cheshire HR Service staff cannot link in to all three, different IT systems. Cheshire HR Service is introducing a sharepoint site which will host the 'self service' HR employee relations system from Barts and will also enable Cheshire HR Service, under one web-based system, to provide document management and file sharing, shared calendars, announcements, postings, *etc.* across all of the sites. This is being developed for internal use for Cheshire HR Service, and for customers to provide them with easily accessible and up to date information, guidance, *etc.* Though it is one system for Cheshire HR Service, it will be unique to each individual customer.

Developing partnership with their customers and awareness of their needs has been fundamental to Cheshire HR Service's success, but done in a way that acknowledges business realities. So, for example, each of the functions within Cheshire HR Service develops their service specification for the customer which is then agreed with the customer. This creates a sense of mutual ownership that in turn leads to the effective delivery of services.

Critical to the success of Cheshire HR Service has been the sustained support of the leadership teams of the Trusts; not just the Chief Executive but also heads of Finance and IT. Getting employees to understand what Cheshire HR Service is all about and motivated to contribute ideas is vital. Being aware of local and national developments helps steer Cheshire HR Service, anticipate change and look for opportunities.

Challenges

One of the challenges is the difficulty of getting all involved (HR, IT, Finance, *etc.*) to understand the nature of hosting a shared services. Staff within the Trusts still see issues purely through their own organisational lens and find it hard to see that supporting a third party activity, like Cheshire HR Service, benefits their own organisation. Also working within the orbit of the host organisation means that you have to abide by their rules of the game that could include constraints on funding or recruitment that are not relevant to Cheshire HR Service. So, for example, spending to save may be held up by what seem to be unnecessarily slow decision making processes, but which reflect the non standard nature of the request. These issues will be exacerbated should Cheshire HR Service expand its sales activities as this puts pressure on the finance system.

Future plans

For the future, there is confidence that the partnership will hold because of the benefits customers at all levels will see. Wider NHS structural change may negatively impact, but that is outside their control. Now that the organisation is more confident in its ability to deliver and with its upcoming changes to the service delivery model, Cheshire HR Service feels in a strong position to grow. Its business plan for this year is to market its offering to local government and health.

It has already undertaken some activities outside its area including IAPT recruitment for NHS Northwest and NVQ training. It believes a number of its services could be attractive to potential customers, including in the field of well being.

Appendix 6: Knowsley Health and Wellbeing

Summary

Knowsley Health and Wellbeing is a partnership between Knowsley PCT and Knowsley Metropolitan Borough Council which focuses on providing front line services to the community supported by shared back office functions. A Section 75 partnership arrangement allows for pooling of budgets and a single executive team.

Background

Prior to the establishment of the PCT, it was recognised that a partnership between NHS Knowsley, as it was then, and Knowsley Metropolitan Borough Council (KMBC) would place the needs of Knowsley residents at the heart of public service and that together health and social services (and latterly, leisure and cultural services) could make a real and sustainable difference to improving the lives of those in the borough. Subsequent to the creation of the PCT in 2002, this has been formalised by using Section 75 (formerly 36) of the Health Act, which provides the accountability structure for a single Executive Leadership Team, pooled budgets and common goals.

This approach is reinforced by the leadership arrangements across the organisations with the Chief Executive of NHS Knowsley also being the Executive Director – Wellbeing Services in the Council. The Director of Public Health is also a joint appointment. Other senior roles have responsibility across Health, Social Care and Leisure and Cultural Services. Throughout the organisation, integrated teams have been created to maximise service and minimise duplication – there are many integrated service delivery teams, to fulfil the commitment to client-centred care, supported by others such as joint procurement, HR & OD and communications teams.

In a wider partnership context, these arrangements are overseen by the Health and Wellbeing Partnership Board, which is part of the Local Strategic Partnership infrastructure. The Management Board extends its membership beyond Directors in the Council and NHS Knowsley to include membership for patient representatives and colleagues from the Third Sector.

Business case

In an area with high deprivation and health needs, the business case was based on the belief that neither the PCT or council alone could deliver the required services for the community so it made greater sense to work in partnership. The partnership was built on a core set of values centred on 'improving people's lives' and a focus on reducing health inequalities.

Implementation

Joint working had been underway for nearly two years when the section 36 agreement was in place. This meant that at the beginning staff had to take a 'leap of faith' when working for integrated teams. For example, they had to trust that their contractual and pension arrangements would remain the same. Once the PCT was established and the formal agreement put in place, its workforce of 1,300 began combining with KMBC's social services teams, which included 900 staff. In 2008, Leisure and Cultural Services also joined the partnership arrangement to create Knowsley Health and Wellbeing.

Despite the close working, the two bodies still remain separate statutory organisations with contracts for most staff being held by one or the other. The exceptions are a number of joint senior posts, such as the Chief Executive of NHS Knowsley and Executive Director for Wellbeing Services being the same person. Staff are then managed through a simple matrix management structure with a lack of bureaucracy.

Workforce planning and key HR issues are managed across the partnership in an integrated way informed by the results of an integrated staff survey across the whole workforce using the NHS staff survey methodology. There is now a single workforce strategy and an HR protocol setting a framework for how managers should be handling staff from different organisations. This includes arrangements for how secondments across the two are managed. There has been a flexible approach to recruitment, advertising for posts without insisting on which organisation an individual has to work for. There have been, and remain, challenges in managing two sets of employment terms and conditions with potentially different levels of pay. Reflecting the overall nature of the partnership, these have been managed through open dialogue and good communication.

The integrated HR & OD directorate was created in stages with workforce development being combined in 2005 and then HR in 2006. Workforce development came first because there was already joint learning and development activity and so provided an early win in terms of training people for some of the new joint roles. Team building sessions to allow the creation of shared understanding about each other's worlds was an important element of bringing the two different organisations together and it was recognised that, whilst there were differences in processes and approaches, there was actually a high degree of commonality. Three years later, the whole directorate was reorganised to reflect the nature of a single organisation and there is now a sense that HR & OD staff work for the combined organisation rather than supporting just their 'home' organisation.

Integrating technology has been an ongoing challenge within the HR & OD directorate where they have worked hard to have a shared diary system. The NHS ESR (Electronic Staff Record) system provides good workforce information for the NHS but it hasn't been possible to integrate council staff onto this, meaning that there remains manual manipulation of data. There is now an integrated learning management system although it is somewhat cumbersome in its integration.

Building relationships with the respective unions has been important and has led to them either supporting, or not inhibiting, the process of partnership working.

Benefits

The primary focus of Knowsley Health and Wellbeing has been on the community it serves (rather than an inward focus on how it operates). However, the benefits of joint working can be seen on a number of levels and it has led to financial savings in some areas. For example, there are savings of £230,000 a year through joint strategic planning and commissioning of services. Having a shared senior executive leadership team has allowed savings of £180,000 per annum from the removal of duplicate roles.

The integration of the HR and OD teams has allowed the combined directorate to better support the overall goals of integrated working of the partnership by taking a strategic perspective on workforce planning and role design.

Critical success factors

It is evident that having a clear vision and shared set of priorities based on 'improving people's lives' has been an essential part of the success of this relationship. It has allowed the organisation to remain focused and take creative

risks in order to succeed. It has also prevented the relationship, at all levels, becoming stuck in territorial battles about who is responsible for what.

Having a strong leadership team with clear governance structures has been important, although the formal governance structures were not put in place at the very beginning. It may be that not addressing the formal governance immediately allowed the teams to focus on the overall goal without worrying about sovereignty issues which can become adversarial if addressed head on at the start. However, it should be recognised that this does open up potential risks in terms of accountability.

Engaging and winning the 'hearts and minds' of staff is critical in the change management process and a key role for the senior leadership team is to hold on to the clarity of purpose and to continue to reinforce this in the organisation.

Keeping the employment issues simple has been important. Some joint posts are needed, but most staff can retain their contracts with one employer. Establish simple HR frameworks to set out how managers deal with staff from different organisations. Whilst there are still two sets of terms and conditions, policies and procedures should be standardised as much as, and as soon as, possible.

Ideally, whilst focusing on the key goals, an evolutionary process of change works well, letting people find their role and levels. However, the question remains whether there is time to do this in the current situation.

Next steps

In future, it is expected that there will be further horizontal integration to deliver mutually beneficial cost savings, and to support the overall mission. Whilst a number of HR services are now shared between the organisations, there is ongoing discussion in the NHS region about sharing of transactional services (eg payroll, occupational health and mandated training) and it may be that these are shared in an NHS partnership in the future. This illustrates the fact that organisations may engage in more than one partnership to achieve their goals.

Appendix 7: LaSCA partnership

Summary

LaSCA operates as a partnership agreement between PCTs in the North West to deliver Family Health Support Services on behalf of PCTs.

Background

LaSCA was originally formed in 1996 when the Family Health Services Authorities were replaced by Health Authorities. In Cumbria and Lancashire, a number of transactional processing services were transferred to a new organisation (LaSCA) which would provide services to four health authorities. Over the next two years, LaSCA reduced its original budget from £4m to £2m and removed three layers of management. Three NHS reorganisations later resulted in six PCT customers but with no change to the original footprint of services provided and indeed one of the biggest advantages of LaSCA was seen as the stability of the service and the delivery of these core processing functions throughout the reorganisations of its 'customers'. In 2008 LaSCA employed 120 people and was providing services to 6 PCTs. It now provides services to 19 customers and employs 200 staff.

The key roles of LaSCA are to provide information and intelligence to support PCT commissioning and deliver high-quality and efficient support and back-office functions. These services include:

- payments to medical, pharmacy, dental and ophthalmic contractors
- maintenance of performer lists
- maintenance of the population database including patients registration, transfers of medical records, administration of screening programmes

- maintenance of NHAIS systems and provision of information.

The services are each described in a 'work specification' and organisations decide which services they required. Each service has a clear set of Key Performance Indicators (KPIs) and Key Activity Indicators (KAIs)

Implementation

The added value LaSCA as a shared service provides for customers is focused on three principles:

1. delivering consistent, high quality services
2. delivering services at a lower cost through economies of scales
3. reducing the risk in service delivery due to size and robustness of service.

LaSCA is hosted by one PCT and is operated under the Partnership model and hence the risk to the host is mitigated. The Governance Arrangements are clear in defining the operation of the service and the Stakeholder Board responsibilities. To further mitigate the risks to the host, the Audit Committee of the host have a separate meeting dedicated to LaSCA and this is run exactly like a PCT Audit committee. As a partnership, the rewards are shared between all the partners so as new customers come to LaSCA, so the existing partners benefit as their charges are reduced.

For service provision, LaSCA has detailed SLAs with all its customers and the standards of services are as defined in the work specifications. LaSCA's business model is to operate out of one geographical location and when a new organisation joins the partnership, staff have the opportunity for TUPE transfer although in practice this rarely happens due to the travelling distances and so staff are recruited instead.

In order to provide greater robustness and resilience, staff are able to work in any of the service areas and for any client, as up to date documentation of processing is an essential part of the service. This provides robustness and resilience to the services in terms of staff cover and also longer term career structure and variety of work. However, given the service's maturity, succession planning is now seen as a potential risk which provides a driver to further expand the organisation.

Fees are set based on the services taken and the population that the client organisation serves. As each extra organisation joins the partnership, the amount of overheads paid by existing partners reduces although as the number of partners increases, the incremental returns from new members joining reduce. However, further growth is seen as necessary as it can provide greater benefits in risk reduction rather than significant cost reduction.

Benefits

The primary benefits to organisations joining LaSCA are service quality, service resilience, improved accessible information and cost savings.

The scale of the organisation, expertise of management in delivering efficient processes and flexibility of staff, results in LaSCA being able to deliver a more robust service than PCTs are able to do themselves. The expertise of the organisation can also help organisations understand more about the service that is being delivered and hence act as a more informed client.

With LaSCA providing similar services for 19 organisations, they can provide benchmarking information for customers to compare themselves against each other as well as then providing this to PCTs' individual contractors.

Cost savings depend on the starting position in the client organisation and the cost base here is not always clear, so cost savings can be difficult to specify clearly. It depends on the client organisation being able to recognise and calculate costs on a fully costed, rather than just a marginal basis.

Critical success factors

In order to deliver services which reflect the three areas of quality, risk and cost, there is a need for managers who can understand, analyse and improve business processes on a continuous basis; a drive for consistency of quality services ensuring controls are in place to highlight errors before they happen. If this happens in a shared service it can have a bigger impact than in a local service.

There is an essential role for intelligent customer relations where there is an understanding of the interface between the shared service and the customer and also an understanding of what services should be incorporated in a centralised shared service and those which are critical to the client organisation or require local presence.

This needs to be coupled with a well defined and meaningful set of performance measures for reporting the effectiveness and efficiency of the services being provided rather than just the levels of activity being undertaken. Highly effective performance management is essential.

Further developments

Future developments may come from either geographic or service line expansion. to further reduce cost and risk of services delivered for PCTs.

Appendix 8: NOMS Shared Services

Summary

NOMS shared services is a three function service initially developed for one organisation and now being provided to other government departments.

Background

NOMS (National Offender Management Service) provides HR, finance and procurement shared services to staff in NOMS headquarters, HMPS (Her Majesty's Prison Service) and the Home Office. The case study presents an overview of the implementation across all three functions and the detail of the HR shared service.

The initial focus was on HMPS, its 128 prisons each of which had its own finance, procurement and HR staff. The organisation already had plans to replace the IT systems for each of these functions and so the three projects were consolidated and an Oracle ERP system implemented in a single shared service centre in Newport, South Wales.

The reorganisation meant, for example, that instead of a prison having eight HR staff based on-site, they now have one HR business partner who focuses on working with them on strategic people issues and all other HR support and advice is provided through a self-service system and the shared service centre. Similarly, the majority of procurement is now carried out through the e-procurement system and items procured from a standardised catalogue rather than through local suppliers.

The centre went live in May 2006 and became fully operational in April 2008. It employs around 500 staff.

Business case

The business case was based on the ability to generate annual cost savings of up to £32m through reduced transaction costs and lower headcount, and in procurement through reduced cost of purchased goods and services. In HR it was seen as an opportunity to reduce the number of staff engaged in HR administration and at the same time provide greater consistency in advice and decision making across the organisation.

Implementation

The shared service centre was implemented in a staged process supported by extensive change management, communication and staff education processes. Finance was implemented first as this affected fewer people and was seen as being more used to standardised approaches, then procurement and finally HR.

Standardisation of policies and processes was seen as essential before they were implemented in the new system, as was ensuring that the processes fitted the business need (and that the old policies weren't just implemented because that was what was already there). As the new system in each function was brought on line, the staff were added to the shared service centre in Newport. As an illustration of the phased approach, HR was implemented in three stages to ensure that any problems which did occur would be small problems.

Manager and staff self-service systems and process automation were an essential part of creating the necessary level of savings and hence an extensive staff engagement programme was put in place to ensure that they were aware of what was going to happen, what they would need to do in the future and that they had the knowledge and skills to use the new systems. A threshold level was set for the number of staff that had to be trained before the system went live.

The organisation invested in the Oracle ERP and implemented this initially with no customisation, although subsequently small amounts of tailoring have been undertaken. This approach required the organisation to buy-in to the idea that one size would fit all rather than all idiosyncratic requirements being catered for. By implementing the shared service and ERP system in three functions the organisation was able to generate a greater return on the investment in the technology than by just using it for one function.

The overall project was sponsored and led by the Finance Director (who also had responsibility for procurement) and the shared service (including HR) now reports in through the finance function. The head of the HR shared service also has a dotted reporting line to the HR Director of HMPS and sits on the senior management team for this business, whilst this doesn't happen for the Home

Office support which operates more as supplier and customer with a customer proposition and quarterly review meetings. The Home Office pay a fee for the services provided.

Subsequent to the three functional areas going live, new groups of staff were added from NOMS HQ and the Home Office. Again, the stepwise approach allowed incremental steps to be taken rather than one large implementation. Home Office staff are subject to different HR policies and so their service has been set up as a distinct shared service reporting into the same senior management team, rather than having the same staff supporting different organisations and policies.

HR shared service

The HR shared service offers slightly different services to each of its client groups and has an associated client proposition for each. The service portfolio includes:

- Query resolution and contact centre which can be accessed through the intranet, email or phone (or paper where necessary).
- HR transactional work but not payroll which is provided by another government department.
- Professional HR advice (*eg* support for disciplinary action) as well as mediation and post incident care.
- Recruitment from attraction through to hiring (but not selection which is a manager's responsibility).

In addition to the Newport based staff (107 for HMPS and NOMS, 66 for the Home Office) the shared service operation also operates a field based team (100 people) for HMPS for handling sensitive local issues.

Critical success factors

Senior management commitment and support was essential to the project and, since it was being implemented across a number of functions, it was seen as an organisational project and not just a single function initiative. A perceived risk was that prison governors, used to their own autonomy, would simply employ staff to carry out the administration function using the system for them (rather than getting managers to do it), but the senior commitment reduced this likelihood and protected the savings.

The location of the shared service centre in Newport was carefully chosen to provide access to an appropriate labour market and the success of the operation is,

in part, put down to the ability to recruit staff specifically for the new roles and the quality of the staff that it was possible to recruit. People were recruited who had done the type of work before. So, for example, in the HR contact centre this meant people who had customer service skills and in the HR advisor team those who had worked in HR previously. Because the service centre has been growing it has been possible to offer people the opportunity for career development and professional growth (eg CIPD qualification).

Having clear cost pressures made it easier for people to accept the change and getting staff engaged with the process was, in part, supported by explaining how the savings would be translated to front line service. In the HMPS (where the shared service started) the organisational focus is on managing offenders and support services need to be 'good enough' and compliant rather than expansive so that funds can be concentrated on the front line service.

One of the most important factors in the project's success was having a strong, capable project team who had experience of having done it before and which combined inside people who understood the organisation, but also new people hired to bring the challenge and experience from doing things differently in other organisations.

Investing time and effort in managing the change process was critical; having a clear timeline and communicating this to people so that they knew what was going to happen when. A robust project methodology was used and the plan was always to keep it simple with staged progression so that problems (which were inevitable) were easier to contain and rectify. A key element of the change process was the engagement and training of all staff that were affected (not just those in the shared service function).

Benefits achieved

Based on publicly available¹ data, key financial benefits include annual savings of £30m in running finance, procurement and HR, and reduced procurement spend of £50m per annum (approximately ten per cent of total procurement).

Other benefits include:

- Seventy to 90 per cent of queries resolved on first contact (up from 50 per cent when the service was started).

¹ <http://www.oraclecfo.com/filestore/Assets/1245/her-majestys-prison-service-financials-case-study.pdf>

- Ninety-four per cent of supplier invoices paid within ten days.
- Time to close monthly finances reduced from ten to five days.
- Time to pay staff expenses reduced to five days (from weeks sometimes).

In addition, increased transparency and availability of financial and other performance data (*eg* absence) has allowed better decision making and hence improved operational performance.

Future plans

The service is expected to be extended to cover Ministry of Justice staff in 2011. With the technological infrastructure now in place, there is also the opportunity to improve efficiency and drive further cost savings in other processes that have not yet been implemented.

Appendix 9: Southwest One

Summary

Southwest One is a public/private joint venture partnership formed in 2007 between Somerset County Council, Taunton Deane Borough Council, Avon and Somerset Police and IBM. It is the only partnership in Europe that includes local authorities and a police force.

Background

Both councils and the police had ambitious plans to improve services to their customers which cannot be delivered without efficiency savings. Their goal was to improve services and save money for the authorities. From the Somerset County Council's perspective it had had an excellent CPA report but the Chief Executive wanted to move the service up to the next level and felt this was possible only through the partnership route.

The consortium is aiming to tackle all aspects of people, process and systems transformation, 'putting cultural change at the heart of improving services', by managing back office and transactional services through a single shared service arrangement and delivering major strategic projects to transform and modernise the way the authorities work.

Southwest One is actively committed to supporting the long-term social and economic development of Somerset and the South West by generating new skills and jobs and by developing education, skills, and the 'economic and environmental fabric of the region'.

Business Case

In Somerset County Council a business case was put together both for the joint venture company and for the later SAP investment. The latter was a straightforward spend to save, efficiency proposition. The JV company was seen as the best vehicle to meet their business objectives. One justification for this choice was political: there was at the time a debate about whether Somerset should move from being a two tier to a unitary authority. Putting services into a JV which others could easily join was seen as a vehicle for delivering organisational collaboration without the issues of such change being seen to be 'led' by an individual authority.

The aim of the partnership was to achieve the following benefits:

- transform the overall workings of the partner organisations of the councils and police
- modernise, reduce the cost of, and improve support services
- improve access to, and delivery of, customer facing services
- invest in world class technologies to improve productivity
- create an excellent working environment and sustainable employment
- generate economic investment.

They also wished to make life better for their local communities by:

- making access to public services quicker and easier.
- saving money by providing shared 'back office' services.
- making significant savings by radically changing how they procure goods and services.

The business case identified a potential to save £200m over the subsequent ten years (net £150m after investment costs are included). £60m savings have been delivered or identified for delivery thus far.

Implementation

In 2005 Somerset County Council and Taunton Deane Borough Council initiated the work to establish Southwest One. In 2006 the Avon and Somerset Police joined the partnership. The partnership went to the rest of the South West community and asked whether any other organisations wished to join. Twenty-eight

organisations expressed interest, but only the core initiators proceeded to implementation (with the exception of small scale service provision in a couple of cases, eg a payroll service for the Fire Service).

The partnership considered and rejected straight outsourcing, in part, because they wanted to second rather than transfer staff. The reason for that was that staff themselves and their trade union representatives wanted to remain employed by their existing employers. In the case of the County Council, management there took the view that they employed loyal and hard working employees, who had served the Council well and whose continued employee engagement was necessary to the success of the project.

A Joint Venture Company was chosen because the partners' service delivery ambitions were not affordable without first delivering efficiency savings. The councils and the Police decided that the most effective way to achieve this was to work with and use the skills of the private sector, *ie* through creating a joint venture company.

They explained their needs to the market and received some excellent proposals on how to deliver the services. IBM, Capita and BT were short listed and IBM, the global business services provider, signed a contract with the two councils in September 2007. The councils and the police have signed a 10 year contract worth approximately £500m with IBM including a profit sharing arrangement, should the venture significantly expand. IBM holds 75 per cent of the 'shares' in SouthWest One which means that they carry the greatest share of risk and potential reward. The Police formally became a Partner in March 2008.

The financial arrangements differ for the three client partners. In the case of Somerset County Council, their 'Unitary' charge is flat year on year over the ten years of the contract. Improvement comes through better performance or higher quality delivery compared with the original specification.

For Taunton Deane Borough Council and Avon and Somerset Police the aim is to reduce the charge year on year. Where the JV company can deliver services at a lower cost than the Unitary charge it can take a profit, conversely it carries the risk where costs increase. Savings recognised through higher than forecast staff attrition, where replacement is not required, are constrained in that if the JV's headcount drops below a certain level, any savings are shared with the Councils and Police.

The Joint Venture Board has overall accountability for the strategic direction and leadership of Southwest One, including all fiduciary and governance issues, the setting and delivery of business objectives, trends in growth, values and company

strategic decisions, and business expansion. The Main Board comprises an Independent Chair and Directors representing IBM and each of the founding authorities – the Chief Constable representing Avon & Somerset Police and, in the case of each council, an elected member from each one's Executive. There is also a joint client board, *ie* without IBM, that has executive directors from each of the partner organisations (*eg* the Corporate Services Director from the County). There is finally an 'operations and transformation board' that meets each month. Service heads for each of the service lines have been appointed who work to deliver SouthWest One's activities. The governance arrangements includes an underpinning Strategic Framework Agreement, which enables other public authorities in the South West to benefit from the partnership without incurring the time and the significant expense of lengthy procurement processes.

650 staff were seconded from Somerset County Council on a 'assured employment model' giving them job protection but based on flexible deployment. An equal number have come from the Police and 164 from the Borough Council. There have been 60 direct hires, 1500 people are now employed

Southwest One delivers the following back-office services: Finance, ICT, Procurement, Property and Facilities Management, Human Resources, Design and Print and traded services to schools, Customer Services for Somerset County Council and Taunton Deane Borough Council, Enquiry Office Services for the Police, Revenues and Benefits service for Taunton Deane.

As one of the seven transformation projects, they have implemented the SAP Enterprise Resource Planning system for Human Resources, Finance and Procurement to allow partners to manage their resources more effectively. It is too early to say whether the expected benefits will be realised, but thus far the implementation results have been mixed, principally because the project deliverables have been running late. The other transformation projects include a new CRM system, a new procurement process and a shared services centre.

Benefits

The partnership is delivering cash savings for the partners and economies and efficiencies through new systems and processes. The relevant client partners have indeed benefited from a falling Unitary charge and all have experienced generally improved levels of service. To back up the claims the partnership can point to the significant improvements in customer services operation delivered to their customers:

- In 2007, 57 per cent of calls were answered within 30 seconds, in 2009, 85 per cent of calls in 20 seconds.

- The call abandonment rate has been reduced from 8.66 per cent in 2007 to 3.69 per cent in 2009.
- The number of relevant calls answered at first point of contact has increased from 60 per cent to 95 per cent.
- The new CRM system and web portal platform were introduced in November 2009 enabling the joining up of Council services, more do-it-online services for customers and reduces information processing.

There have also been improvements in procurement services. Across the 'in-scope' service lines, which have 200 individual performance indicators, there has been only one failure in two years of operation across the suite of 'key' performance indicators.

There are mechanisms in place to benefit the client partners earlier via a lower Unitary Charge should performance gains or business growth accelerate beyond projected rates.

Critical success factors

It is important to have the right governance mechanisms in place and ensure that there are contractual levers (risk/reward linked to well defined performance criteria) to drive service improvement and to contain or reduce costs. This includes isolating the core activity required and ensure that its service requirements are met with penalties for failure.

Ensuring that changing business circumstances can be accommodated without having to go through laborious contractual discussions and making a business case for change is also important.

Considering not just quantitative service standards but also qualitative is critical to ensure continues service delivery. The partnership focused too much on the former and should have given more attention to the latter such as more refined customer satisfaction measures.

Challenges

IBM is the most exposed financially of the partners and takes the risk on service delivery. Changing economic circumstances have put more pressure on IBM. They will improve their income by reducing staff numbers on the contract, but this has proved difficult to achieve because attrition rates have fallen with the recession (to well below the seven per cent expected) and in any case may risk the quality of the service.

It is easy, and a risk, for the JV company to become more like a straight outsourcing deal than a partnership arrangement and for each of the participants simply to look after their own particular interests.

The partnership has faced a number of criticisms that centre on a lack of financial transparency and doubts about whether real savings are being delivered and on the 'profit sharing' mechanism. Whilst the partnership recognises that it could have explained its financial arrangements better and IBM in particular could have been more open, in fact what is not properly recognised is that the Board is fully informed of the financial situation, and it is a commercial operation so full transparency is not possible. Any of the reported financial difficulties (*ie* the loss reported of £2.5m between October 2007 and December 2008) is felt entirely by IBM.

Further developments

Southwest One is offering similar benefits to other public authorities in the South West. It offers to reduce their costs, repair any 'failing' services and deliver services to the wider public in new ways. It particularly stresses the low initial investment cost and rapid payback. It presents a range of options, tailored to each organisation's requirements, from a whole operational service to a single service, as well as access to organisation wide Enterprise Resource Planning systems. Through its 'Strategic Framework Agreement' it enables other public authorities in the South West to benefit quickly from the partnership without incurring the time and the significant expense of lengthy procurement processes. Moreover, it can immediately help partners by using its 'simple and transparent' governance arrangements.

IBM, as the service provider, is keen to extend the number of clients because it improves the return on their investment. Somerset County Council, however, does not need any business growth to meet the requirements of its business case.

Thus far, the JV company has not attracted new clients though there is continued interest in the venture from a range of organisations. One factor that may be limiting growth is the 'joining fee' mechanism (designed to reflect the significant investment in the SAP infrastructure by the founders'). The JV company might also be interested in extending the partnership should another large organisation wish to join on that basis (rather than a client of the services).

From an IBM perspective, the company would be happy to consider another such delivery model, but would take into any such venture the learning from this model. There are contractual changes it would make and, in particular, it would revise the resourcing model. It has found the secondment model difficult to operate as there are inevitable conflicts, not so much of interest, but from staff

being employed and paid by one organisation yet working for another. Where do their loyalties lie?

In advising other public sector bodies it would suggest getting an appropriate resourcing approach that means you have the right people in the right jobs with the right motivation to allow opportunities to be quickly realised. Another lesson IBM would be to ensure the client fully understands the organisational and resource intensive requirements of large scale infrastructure transformation. This is more time consuming than many would expect. Finally, if real savings are to be made in transactional services, organisations would have to seriously consider off-shoring data processing activities. (Customer contact and advisory work would need to remain local.)

Appendix 10: Other Examples

Appendix Table 1: NHS and other healthcare examples

Organisation	Type of operation	Description	Further information
New Zealand Health Alliance	Multi-organisation In-house Multi-function	Shared services between two organisations. Procurement and Supply Chain, Finance, Business Solutions (inc HR), Information Services, Staff Service Centre (Pay processing services)	http://www.healthalliance.co.nz/Home.aspx
Northwestern Memorial	Single organisation In-house Multi-function	Implementation of ERP system for HR Self-service. LMS and supply management	http://www.oracle.com/customers/snapshots/northwestern-memorial-pse-case-study.pdf
Herefordshire County Council, Primary Care Trust (PCT) and Hereford Hospitals Trust.	Multi-organisation In-house Multi-function	Local government and NHS, shared services for Finance, HR and Payroll announced in 2010	http://www.lgcplus.com/topics/joint-working/council-plans-health-shared-services-venture/5012854.article
Birmingham Primary Care Shared Services Agency	Multi-organisation In-house Multi-function	Shared services established by three organisations and partially used by two others. Hosted by Birmingham East and North PCT.	http://www.bpcssa.nhs.uk/AboutUs/

Organisation	Type of operation	Description	Further information
		Includes Estates and Facilities, Information and Communication Technology and Contractor (FHS) & Financial Services.	
Cheshire Contract and Information Shared Service Unit (CISSU)	Multi-organisation In-house Single function	Servicing eight organisations to make collective decisions on the review, planning, procurement and performance monitoring of Acute Secondary Care contracts and Independent Sector contracts	http://www.cissu.co.uk/about.html
Cheshire ICT	Multi-organisation In-house Single function	Supplying 5 organisations and 92 GP practices with a full range of IT services.	http://www.cheshireict.nhs.uk/pages/Services/Services.asp?textSize=0
Derwent Shared Services	Single organisation supplier In-house Single function	Hosted by Derby City PCT, the largest provider of lease vehicles in the NHS, currently serving more than 80 clients throughout England and Scotland. A full fleet vehicle management service is offered	http://www.derwentsharedservices.nhs.uk/
Dudley PCT	Single organisation In-house Single function	A regional shared services technology infrastructure underpinned by a virtualised desktop environment. The solution will allow personnel throughout the Black Country access to key systems and information,	http://www.publictechnology.net/content/21935
East Lancashire Financial Services	Multi-organisation In-house Single function	ELFS was established in 2002 providing business shared services. Hosted by Calderstones Partnership NHS Foundation Trust, ELFS is governed by the partner organisations through a Partnership Board governance framework consisting of executive and non executive directors. Client base has grown from five to ten NHS client organisations. Just expanded to include Norfolk and Waveney Mental Health NHS Foundation Trust as a client.	http://www.e-health-insider.com/news/5748/nw_shared_services_expand_with_coa http://www.elfsnhs.co.uk/ http://www.pr-inside.com/print1777823.htm
Health Service Executive	Multi-organisation migrated	Originated as Eastern Health Shared Services	http://www.business-

Organisation	Type of operation	Description	Further information
(Ireland)	to single organisation In-house Multi-function	providing a range of 'back office' services to the three area health boards of the Eastern Regional Health Authority. Shared services include Architectural Services, Property Services, Financial Services, Information and Communications Technology, Procurement and Material Management, and Employee Services. Since formation of HSE was replaced by National Shared Service Organisation and currently undergoing further reorganisation on a functional centralised basis.	intelligence.co.uk/hri/hr_shared_services/eastern_health_case.htm http://www.accenture.com/NR/rdonlyres/E9C1105F-5B87-45CD-9B63-BA14ABC2BB32/0/Accenture_Health_Public_Service_Eastern_Health_Shared_Services.pdf http://www.nehb.ie/nehb/publications/reports/modheaser_ehss.pdf http://www.quebec.ca/observgo/fichiers/27267_gosp-1.pdf
Hertfordshire Foundation Trust	Single organisation In-house Single function	Use of technology to improve Board Governance and Reducing Back-Office Costs through document management	http://www.esharehealth.com/clients/Documents/Herts per cent20Case per cent20Study per cent20Final.pdf
Plymouth NHS ICT Shared Services	Multi-organisation In-house Single function	Plymouth NHS ICT Shared Services supports 15,000 users across the Plymouth Healthcare Community (which comprises the Plymouth Hospitals NHS Trust, the Plymouth Teaching Primary Care Trust, and 63 general practitioner practices). Its responsibilities include looking after patient and clinical administration systems as well as specialist software for laboratories and general practitioners.	http://www.intersystems.com/casestudies/ensemble/Plymouth.pdf
NHS Shared Business Services	Single organisations Outsourced Single function	NHS Shared Business Services (NHS SBS) is a joint venture between the Department of Health and Steria that provides finance and accounting, payroll and e-procurement solutions, and support for family health services to all types of NHS organisations. Currently supporting over 100 organisations.	http://www.sbs.nhs.uk
Worcestershire Primary Care	Multi-organisation	Shared services organisation providing facilities, HR, L&D services to three	http://www.worcestershirehealth.

Organisation	Type of operation	Description	Further information
& Mental Health Trusts	In-house Multi-function	organisations.	nhs.uk/WSSA/default.asp

Appendix Table 2: Other sectors

Organisation	Type of operation	Description	Further information
DWP	Multi-organisation In-house Multi-function	Initially established as a shared services operation for DWP it now provides accounting, debt management, payment resolution, purchase to pay and employee services to the Cabinet Office, the Department for Children, Schools and Families and the Child Maintenance Enforcement Commission, with other bodies taking specific services. It is expected to add four more departments.	http://www.cabinetoffice.gov.uk/cio/shared_services/ss_in_govt.aspx#6
Home Office	Single organisation In-house Multi-function	<p>The Home Office has implemented shared services enterprise resource planning (ERP) system.</p> <p>The project provides finance, procurement and human resources systems as a shared service for a number of agencies and is estimated to save the department between £40m and £50m in total.</p> <p>The programme was implemented over a number of phased approaches during a three-year period.</p> <p>£40m-£50m savings will be achieved through greater back-office efficiency, economies of scale using centralised systems and services, headcount reductions and procurement savings with better supplier management.</p>	<p>http://www.computing.co.uk/computing/news/2257340/home-office-completes-shared</p> <p>http://www.publictechnology.net/content/22518</p>
Kent Councils Shared HR Services	Multi-organisation In-house Single function	Four council HR functions merged in a bid to save £2.3m over the next five years. The move will see Canterbury city council join with Shepway, Dover and Thanet district councils to provide a shared services HR function.	http://www.personneltoday.com/articles/2009/05/14/50686/kent-councils-shared-services-move-aims-to-save-2.3m.html
Sefton Metropolitan Borough	Single organisation	Sefton Metropolitan Borough Council recently	http://www.ogc.gov.uk/documents/

Organisation	Type of operation	Description	Further information
Council	In-house Single function	embarked on a project to transform their payroll and personnel processes. Process Mapping was carried out to identify opportunities for improvement while Activity Based Cost Analysis and Work Time Analysis allowed the team to apply costs to these processes and identify options for change. Cashable efficiency savings were projected in the order of £370k.	DCLG_Local_Authority_Exemplars.pdf
Surrey County Council	Single organisation In-house Multi-function	The internal shared services function provides Accounts payable, HR administration, Accounts receivable, Payroll, Financial management, Training administration, Procurement services, Recruitment administration, Data management services and Continuous improvement services.	http://www.surreycc.gov.uk/sccwebsites/sccwspages.nsf/LookupWebPagesByTITLE_RTF/Shared+Service+Centre?opendocument http://www-935.ibm.com/services/uk/bcs/pdf/surrey.pdf http://www.personneltoday.com/articles/2006/09/12/37143/surrey-county-council-saves-9m-with-90-cut-in-hr.html http://www.egovmonitor.com/node/5863/print http://www.socitm.net/download/144/the_shared_service_centre_journey
Sutton and Merton Councils Shared HR Services	Multi-organisation In-house Single function	Two councils collaborated to merge their HR teams into a shared service.	http://www.personneltoday.com/articles/2009/09/23/52277/sutton-and-merton-councils-merge-hr-teams-into-shared-service.html
Westminster Council	Multi-organisation In-house Single function	Westminster Council provides PR and communications services to Richmond and Harrow Councils.	http://www.londoncouncils.gov.uk/capitalambition/projects/workforcestrategy/sharedprofessionals.htm
Lincolnshire County Council	Multi-organisation	Lincolnshire CC worked with work with the seven district councils in Lincolnshire to	http://www.audit-commission.gov.uk/localgov/goodpra

Organisation	Type of operation	Description	Further information
	In-house Multi-function	develop shared services in back office functions including Property management, Training, Information and communications technology (ICT) , Legal services, Procurement.	ctice/financialmgmt/Pages/lincsbackoffice.aspx
Aegon	Single organisation In-house Single function	The aim of this model is to focus on customer needs based on the notion of an employee life cycle. There is for example, a cross functional 'new start process' and ones for other key events like transfer, promotion or exit. Described by the company as a 'technology enabled' model where internal resources are 'aligned around core process groupings and provide for proactive management of customer needs to be driven forward through teams who focus on providing 'expert' service to customers during the key phases of employee activity.	http://www.employment-studies.co.uk/network/members/resources/030609_aegon.ppt
Rotherham Council	Single organisation Outsource Multi-function	Rotherham entered into a partnership arrangement with BT in 2003 for delivery of a number of services. Whilst this is an arrangement with an external company, it is a joint venture, whereby employees remain employed by the Council whilst working in the joint venture, RBT (contract runs to 2015). The services delivered by the Partnership are Revenues and Benefits, Customer Services, Procurement, ICT and Operational HR & Payroll.	http://globalservices.bt.com/static/assets/pdf/case_studies/rotherham_brought_together.pdf
Queensland Shared Services	Multi-organisation In-house Multi-function	The government of Queensland comprised 28 agencies with more than 180,000 employees. The government carried out a wide-ranging initiative, creating shared services centres to support a number of back office functions—	http://www.accenture.com/NR/rdonlyres/896A44A6-1951-4F64-974A-704129595226/0/QueenslandTreasuryCredential.pdf

Organisation	Type of operation	Description	Further information
		including Finance, Human resources, Fleet support, Workforce management, Facilities services, Consulting, Mail, Taxation, Procurement, ICT support.	