

**POLICY AND RESOURCES SCRUTINY COMMITTEE –
5TH OCTOBER 2006**

SUBJECT: FEASIBILITY STUDY ON SHARED SERVICES (SOUTH EAST WALES)

REPORT BY: DIRECTOR OF CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To provide Members with an update on progress with the Shared Services project. This is a multi-authority (ten South East Wales authorities) project, to evaluate the feasibility of sharing certain back office and professional support services as part of Making the Connections agenda.

2. LINKS TO STRATEGY

- 2.1 The Welsh Assembly Government's Making the Connections agenda, aims to bring about improvement across the whole range of public services. Specifically, it aims to make services more responsive, accessible, coherent, effective and efficient. Local Government in Wales, like many other public services, faces rising demands for higher quality services at the same time as increasing budgetary pressures. New ways of working are needed to cope with these demands and enable opportunities for efficiency savings to release resources for front line public service delivery.
- 2.2 The potential for sharing corporate and support services between organisations has been widely discussed. The Gershon review of public service efficiency (July 2004) identified over one billion pounds of efficiency gains to be delivered by corporate service initiatives, including shared services. The Welsh Assembly Government report "Making the Connections" (October 2004) states that in terms of delivering support functions more efficiently "*The greatest gains are likely to come from organisations introducing shared support functions*".

3. BACKGROUND

- 3.1 In response to Making the Connections agenda, the Leaders and Chief Executives of ten local authorities in South East Wales have begun meeting as the Connecting South East Wales Forum. The Forum, which is administered by the WLGA, includes Blaenau Gwent, Bridgend, Cardiff, Caerphilly, Merthyr, Monmouthshire, Newport, Rhondda Cynon Taff, Torfaen, and the Vale of Glamorgan. The group has agreed to carry out a Feasibility Study for the provision of shared professional support and back office services across the ten authorities. This report provides Members with information on this study and the management arrangements being put in place to ensure that it addresses the interests of all participating authorities.

4. THE REPORT

- 4.1 There are a number of potential Shared Services models which are available and the feasibility study will provide the participating authorities with advice on which appears to be the most appropriate for South East Wales. These models range from authorities merely

collaborating on strategic approaches, sharing scarce expertise (eg Legal Services) to more elaborate models of joint working involving sharing those services which involve undertaking routine transactions (eg Human Resources, Finance, Support Services, etc). Such services are not specialist to each authority and may be provided by:

- One authority acting as a lead, possibly with some transfer of staff
- Local authorities collaborating, each retaining their own employees but realigning their processes to take advantage of economies of scale
- Local authorities jointly procuring from a private sector provider
- Local authorities forming a company to contract with a private sector provider

4.2 The feasibility study will be prepared by a mixed project team from South East Wales local authorities and independent consultants. The study will provide valuable information to inform future decisions by the participating authorities, not least the decision on whether or not to take this venture further and actually share services. The project team will be commissioned to undertake a study looking initially at the following services; although this list will be narrowed down so that the study will focus on a few key services where we can make the maximum gain:

Human Resources:

- Recruitment
- Training
- Employee assistance programmes
- Appraisal processing
- Sickness and absence management
- Pay and staff benefits

Other Service Areas:

- Asset management
- Repairs
- Information technology
- Communications

Financial Services:

- Benefits administration and payments
- Council tax
- NNDR
- Accountancy and financial management
- Pensions
- Debt recovery
- Creditor payments
- Internal audit

Other Professional Services:

- Procurement
- Architectural and engineering services
- Legal services

4.3 These services have been identified as ones which involve undertaking routine transactions and therefore where the potential exists, to standardise procedures across authorities and generate economies of scale.

4.4 The project team will be required to report in three phases:-

4.4.1 Phase One – Feasibility

4.4.1.1 To undertake a feasibility study by 30 November 2006 to determine:-

- An analysis of the market place for shared services within the UK
- Key issues arising from the nature of each functional area
- The suitability of each service for collaboration against an agreed set of criteria
- Proposals for how to assess the readiness for collaboration in each local authority

4.4.1.2 The outputs for this phase will be expected to include:-

- A Service Statement proforma and service scope statements for each functional area
- Completed proformas and aggregated data by local authority

- Report on the key drivers, barriers and risks for sharing services in South East Wales analysed by function
- Future resource implications, including potential savings and/or re-investment if shared services are implemented
- A model for handling these savings or reinvestment
- Potential effective shared services model options for South East Wales and risks and benefits associated with the preferred method of service provision
- An analysis of the impact of other Strategic Projects planned or underway. (A range of projects being considered at present by Welsh Assembly Government within this area are indicated in Appendix A)
- An analysis of the impact of any pending legislation within any of these areas
- A refined Communications Plan
- An assessment of readiness of each authority by functional area
- A list of those authorities which are in a position to collaborate on shared services outlining the functional areas for each

4.4.2 Phase Two – Business Case

To identify those functional areas and local authorities that are best placed to proceed with the implementation of delivering shared services. The production of business cases for each option by 28 February 2007. Outputs from this phase will be expected to include:-

- Identifying the services that will produce the optimum gains
- A collaboration model and business case for each selected service, including a rationale on the selection of the model
- A priority list of target implementations with indicative time lines
- Set up and one off costs
- Impact assessments for staff and other services (eg ICT, HR)
- Refined communications plan

4.4.3 Phase Three – Feasibility Framework

To set out a viable framework for “First Wave” collaboration and recommend an implementation plan. The timeframe for this phase is anticipated to be April 2007. Outputs from this phase will be expected to include:-

- Outline programme and timetable for the “First Wave” collaborations
- More detailed model(s) and a methodology for implementation
- Specific risk analysis and risk reduction measures
- Outline due diligence process
- Predicted benefit statements (financial and service standards)
- ROI calculation (including any redundancy/pension “strain” costs)
- Governance arrangements, including operating protocols, service level agreement framework documents, etc
- Savings reinvestment/allocation model
- Key document templates
- A statement of key output and outcome measures
- Outline proposals and timings in respect of “Second Wave” of collaborations
- Refined communications plan

4.4.4 By the end of the feasibility study the participating authorities will be in a position to take informed decisions on whether to embark on the implementation of Shared Services and within that project, which services to share. In advance of any such decision, extensive consultation with trade unions would be required.

4.5 Management Arrangements

- 4.5.1 The Connecting South East Wales Forum has established a cross-authority steering group to oversee this project. The day-to-day management and lead on the project rests with Cardiff Council who is utilising PQA (project management methodology based on PRINCE2™) to ensure that the project has sustained focus, momentum and is delivered on time. This project is part of a wider programme of collaboration overseen by the WLGA.
- 4.5.2 A sub-group of the steering group has been established to progress the procurement of consultants. The tender documentation is contained in Annex A. The Vale of Glamorgan Borough Council is leading on this procurement process.
- 4.5.3 The participating authorities are also establishing a project team who will undertake much of the practical development work. Through the steering group, project team and the Connecting South East Wales forum, all participating authorities have the opportunity to help shape and influence the project.
- 4.5.4 While these management structures ensure that the project will deliver on a cross-authority basis, each authority is being encouraged to also put in place internal management arrangements to ensure that authorities' input to the project is coherent and properly researched. Each authority's internal management arrangements will feed into the cross-authority steering group which consequently has the benefit of direction from Chief Executives and Leaders and from service practitioners.

5. **FINANCIAL IMPLICATIONS**

- 5.1 Clearly this initiative is designed to evaluate whether efficiencies can be found through joint/collaborative through shared services models. This will be considered once the evaluation study has been completed and considered.
- 5.2 The project is funded by the Welsh Assembly Government to the tune of £140,000 with an additional £50,000 (£5,000 per participating authority).

6. **PERSONNEL IMPLICATIONS**

- 6.1 Apart from officer time, there are none at this time.
- 6.2 It is appreciated, however, dependant upon the outcome of the evaluation, that there could be implications for staff in all or some of the ten local authorities involved.

7. **CONSULTATIONS**

- 7.1 The Welsh Local Government Association are taking the lead on a national level with the recognised trade unions. This report will be presented to the trade unions at the next available JCC meeting and will feature as a regular item as the work progresses.
- 7.2 At a local level, consultation will be managed through our Joint Consultative Committee.

8. **RECOMMENDATIONS**

- 8.1 Members are asked to endorse Caerphilly's involvement in the evaluation and agree to receive reports as the project develops.

9. STATUTORY POWER

9.1 Local Government Act 1972. This is a Cabinet function

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Background Papers:

1. Minutes of the Connecting South East Wales Regional Board – 12 July 2006
2. Making the Connections Improvement Fund 2006 – Supported Bid – SE Wales Study on Shared Services