Item 6

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Steria Limited
August 2011

Harlow District Council and Uttlesford District Council
Review of Staff statement -22nd June 2011

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Revenues and Benefits Shared Services

→ creativity → simplicity → independence → respect → openness

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1 Introduction

At the Joint Committee on 22nd of June 2011 the Uttlesford staff involved in the creation of a Revenues and Benefits shared service between Uttlesford and Harlow Districts Councils delivered the following statement to be considered before any final decision is made regarding the structuring of the proposed partnership.

'As we are all aware Councils across the country have to make drastic savings across all departments at present and one way to help achieve these savings is to enter into partnerships with other councils.

The Revenues and Benefits teams at UDC have been involved in talks with the senior management and we have had a presence at most meetings thus far and hope that you recognise our support and commitment to making this the best partnership for our customers, councils and staff alike.

We understand that as a small authority in the current financial climate these savings must be made and the business case we were shown on Wednesday has identified nearly £190,000 per annum savings for Uttlesford. At a meeting held by Adrian Webb and John Mitchell with staff on Monday 13th June we were advised that the majority of the savings realised form this partnership were to be made from a shared IT system.

Staff have also been assured by our management team in all of the discussions that home working, which is already implemented in Uttlesford but not at Harlow, will be added into the costings and provision will be made for this.

Taking the above two assurances into consideration staff at UDC would like to make a proposal which may indeed create further savings and less disruption to our customers in the Uttlesford area. Under our proposal we would embrace the sharing of an IT system which would release the savings in the IT plan for both councils.

We propose that as there is already to be a presence of approximately 6 people to remain in the Saffron Walden offices, with a combination of home working, desk sharing and going into the Harlow offices periodically on a rota basis, the staff already working from the Saffron Walden offices would be able to remain.

This would mean less disruption to service standards, the skilled staff here would remain accessible to the customers and local public. This proposal would reduce the great concerns of the staff at Harlow and UDC in regards our customer service and collection rates, and would boost morale at these very uncertain times. Secondly this proposal could create potential, further savings, as there would be a reduced or potentially no need for disbursement allowances with car mileage and parking, and the revenue to be gained from the office space in Saffron Walden will still be achievable.

The business plan details a saving of around £39k per annum from the current office space in Saffron Walden, however we have at present 2 offices and a smaller office at our counter. If we were, under our proposal, to only occupy the larger of the 2 offices with desk sharing and home working combined, the smaller office can still be utilised for further revenue.

As there were already plans for a presence to remain at Saffron Walden offices a space must have been retained for this, so dependent upon the size of that space we may be able to use that for our proposal of staying in Saffron Walden and so the savings for utilising our current space can still be realised.

We are aware of other councils similar to ours such as Stevenage and East Herts who have recently entered into a partnership for Revs and Bens and already have a shared management board. Many of their staff working in the shared service will be taking up home working, flexible working and remote working opportunities with the Secure IT systems enabling their officers to take calls and help customers whether working at home or in Hertford. We believe our proposal can achieve this also.

Our main concerns are our customers and our service delivery. Many of us work and live in Uttlesford and we believe that this partnership does have the best interest of the community at heart; we only ask that you consider our proposal and look at the details we have outlined in regards, staff, costs and customer services. Our proposal we feel is supportive of the partnership and the dedicated and loyal staff, and could benefit all parties involved.

Thank you for your time.'

This statement was made in response to the detail included within the original feasibility study commissioned by the Councils in July 2010 and the subsequent review of that study undertaken by Steria Ltd and delivered to the Council on 7th June 2011.

For simplification within this document the feasibility study and the Steria review are designated together as Proposal 1 and the proposed staff amendments are designated as Proposal 2.

The staff statement (Proposal 2) supports the principle of shared services with Harlow but suggests that an alternative operational structure could provide a solution that would still deliver efficiency savings to both Councils but with less disruption to customers and less disruption to service delivery and performance than Proposal 1.

The key elements of Proposal 2 are:

- ➔ The IT system is jointly procured and operated
- ➔ All existing staff based within Saffron Walden should remain based in Saffron Walden
- ➔ Flexible working methods should be introduced to include home working and desk sharing
- ➔ Existing office requirement in Saffron Walden should be reduced by one office that can be re-let or re used
- ➔ Additional savings could be generated by the reduction in travel and parking costs

Particular concerns were raised over the ability of the current proposal to

- ➔ Maintain customer satisfaction and service
- ➔ Maintain service delivery performance
- ➔ Maintain staff morale

Proposal 2 has been given careful consideration and this document produced to allow members to reach an informed decision before proceeding to either opt to implement the original proposal 1 or to implement with the variation introduced in proposal 2

2 The principles of shared working.

There are two overriding arguments for attaining efficiencies through a shared service delivery model:

- ➔ The reduction of common resource
- ➔ Efficiency through industrialisation or economies of scale

The former is ‘obvious': if you have fewer managers, IT systems, buildings etc; or if you use less of some resource, it will reduce costs.

The second argument assumes that efficiencies follow from specialisation and standardisation. The typical method is to simplify, standardise and then centralise, using common processes, procedures and IT systems to provide the means of driving out efficiency savings.

A large scale cultural and process transformation can be a key component of a move to a shared service. It is often claimed that such transformation can result in a better quality of work life for employees, as greater clarity of purpose and rationalisation of service delivery can result from an overall review of the service delivery model.

Introducing a shared service encourages these service activities to be operated in a way that delivers services to internal customers at a cost, quality and timeliness that is competitive with alternatives, it is this revision of process, culture, and procedure that results in the often seen performance improvements and the improvement in the employee experience.

However, any organisation, or organisations together, choosing to consider a programme of collaboration or shared working will need to consider carefully how far they are prepared to share processes, procedures and even policies with their potential partner. The development of any shared arrangement will inevitably have decisions to make regarding the depth that the share penetrates into both individual organisations.

This is the decision that we need to consider in the choice between Proposal 1 and Proposal 2.

Opportunities will always exist to collaborate and share activities within overall business functions. Each of these collaborative activities will offer the partners involved the opportunity to deliver a level of savings that will contribute towards reducing the overall cost of delivery of the service.

For example many authorities have shared the production of Housing Application Forms; by collaborating a reduction in the individual cost of production can be achieved. The overall contribution to the reduction in individual service cost of such collaboration may well be small but in itself is worthwhile and significant within the context of reducing the cost of form production.

At the other end of the scale some authorities have decided to combine all resources and functions into the effective creation of one delivery model across two or more authorities, the true shared service.

The depth of sharing in such examples leads not only to the obvious efficiencies but also embraces cultural change to offer opportunity for additional gains that may not be fully apparent at the commencement of the process. The shared service runs as a business and delivers services at a cost, quality and timeliness that is extremely competitive when compared with the alternatives.

This level of development can only be reached when we have passed through the cultural barriers to develop an independent organisation that can leave behind its roots within the individual partners and develop its own culture and methods of operation.

The important factor to consider here when comparing Proposal 1 and Proposal 2 is that the operation of the shared service as a separate business unit does ensure that as with any other business it must provide continuous development and improvement. The shared service is therefore encouraged to be a dynamic structure that always seeks change and a better way to deliver services. Whereas Proposal 2 could be considered to provide a static structure that does not drive development and change as a matter of course, being built, in the main, around one single savings initiative, the sharing of an IT system.

The issue for all Local Authorities is to consider how deeply they wish to integrate the shared service that they wish to deliver. Do they unite both services into effectively one, do they collaborate to share perhaps printing costs or do they fall into some intermediate point between these extremes.

There is no right or wrong answer, and the decision will be dependant upon the ambitions of the authorities, and the outcomes that they are seeking to achieve.

3 Harlow and Uttlesford

Currently the Councils have considered, within Proposal 1, business cases for the full integration of services. The two Councils have committed to joining their services and maximising advantages provided by common approaches to delivery.

It should of course be appreciated that this does not mean that identical delivery solutions have to be provided and within the scope of delivery there will be scope to vary the local delivery to suit the individual authority, but to all intents and purposes the resulting shared service will be the sole delivery mechanism, with common purpose, common management, common processes and potentially common policies.

Proposal 2 can go some way to providing a sole delivery mechanism with common purpose, common management common processes and potentially common policies. However similar arrangements where the partnership is predominantly predicated around the joint procurement and sharing of IT systems alone suggest that the development of close and shared working does not always develop into a full and operable shared service. The participating councils usually do not develop the incentive from just sharing IT to continue to develop the full range of initiatives that produce a true shared service.

An example of this is perhaps a partnership between South Norfolk, Great Yarmouth and Mid Suffolk Councils. The partnership came together to purchase a new IT system to deliver their Revenues and Benefits services, this was successfully negotiated and then the partnership looked forward to other shared opportunities to deliver efficiency savings together. This however did not develop in any significant way and the three Councils continued with their individual practices and working methodologies. Indeed as time went on the three partners developed other arrangements with other partners until the benefits of the original arrangement gradually dissipated.

The major weakness with this type of arrangement, it is believed, is the lack of common leadership through a robust shared managerial structure. To drive forward the cultural change required, to maximise the opportunity given by a shared service, it is essential that only one management team exists and it is charged with delivering a single service across both authorities. As soon as divisions begin to develop in the way that the services are managed on different sites they will grow and split apart the arrangement.

This however is not to say that Proposal 2 could not provide the common management needed, but it makes it a lot harder and increases the risk of failure significantly.

Management over two sites would inevitably require a variation in the management structure proposed in proposal 1. It is suggested that the preference for management that is determined by the service discipline would have to be revised to a geographical site management with the Partnership manager overseeing both sites and ensuring the introduction and maintenance of common and efficient procedures

This will be difficult to achieve for a number of reasons:

- ➔ Provision of consistency of activity across sites
- ➔ Development of a single partnership culture
- ➔ Provision of sufficient management presence at all times

This is not to say that proposal 2 is wrong or ineffective, rather it provides a choice to consider. The proposal can work and it will clearly provide some level of savings through the shared procurement of an ICT system.

However, some of the savings delivered with the wider proposal made in Proposal 1 will be definitely lost and some of the savings may be lost The decision to be considered by the Councils is whether the concerns of the staff with regard to quality and performance will be realised. If the fears are valid the decision to consider is whether it is worth potentially reducing the overall cost savings to ensure a safer solution that addresses the fears of the staff and maintains the status quo.

To validate Proposal 2 we need to consider what gains it gives to the authorities and what will be lost when compared with the original proposal.

To do this we need to consider the aims of the original project. Within the original Feasibility study and Business case report it was suggested that:

The shared service that Harlow and Uttlesford District Councils develop will enable the Councils to provide:

- ➔ Improved performance for service users
- ➔ Stronger more resilient services,
- ➔ Reduced base costs of the service
- ➔ Flexible and innovative culture

It should be particularly noted that three of these benefits are not specifically related to cost savings, but are related to service improvements that shared services have proved to bring to arrangements that have been introduced elsewhere, both in the public and the private sector.

To achieve these benefits it was recognised that shared service organisations are usually seen to develop in the following ways:

- ➔ Standardisation of core processes across the function and organisation
- ➔ Co location of key functional activity
- ➔ Flat management structures with clearer lines of accountability
- ➔ Increasing consistency of policy and procedures
- ➔ Consistent terms and conditions for staff working within the shared service, that may vary from the terms and conditions existing within the participating authorities.
- ➔ Clear career progression and role expectations
- ➔ Operational autonomy for the shared service operation
- ➔ Automation and standardisation of business reporting
- ➔ Shared investment in supporting ICT
- ➔ Investment in training and development

So as a starting point in evaluating Proposal 2 it may be worth considering the benefits that it brings to achieving the four aims of the shared service

- Improved performance for service users

  The aim of Proposal 2 is to maintain existing performance and service quality, it is agreed that this may result from the full retention of the two sites. However to achieve some level of resource savings, it will be tempting to seek to reduce the staffing numbers, perhaps by sharing certain posts between the two Councils. Without some other structural change there will be a risk of weakening the two services and this could in reality make even the maintenance of performance and quality difficult to achieve.

  But, the ambition of the shared service is not to maintain performance and quality but to improve it. It is difficult to see how this can be achieved by effectively retaining the status quo rather than by seeking structural development to enable performance and quality improvement to be achieved.

- Stronger more resilient services,

  It is perhaps possible to provide some resilience to each partner, even across the two sites, but it is difficult to see how this will be significantly achieved in practice. There will be a strong tendency to retain individual loyalties and responsibilities towards the individual authorities.

  Within a partnership arrangement the loyalties will gradually develop towards the partnership and to ensuring that all participants receive a high quality service. This in turn leads to ensuring that resilience is provided to both councils.

  One small example of this that has been observed with other partnerships is that data base maintenance can be staggered to allow processing work to always continue on one of the partner's case load. As a result there is virtually no system down time to affect processing ability. It is difficult to envisage this being a seamless process when the two work forces effectively still retain their own individuality, loyalties and geographical priority in relation to their own authority.

- Reduced base costs of the service

  It will no doubt be possible to reduce the cost of service delivery through the sharing of an IT system; however the saving will inevitably be reduced when compared to a complete shared service (This will be considered in more detail below). The risk of gradually dissipating the potential for consequential savings by the introduction of shared work processes, shared management and shared practices will also increase.

- Flexible and innovative culture

  It is anticipated that whilst only infrastructure costs are effectively shared the ability to develop a flexible and innovative culture will be limited. It would be of concern that most individuals will continue to operate exactly as they do now and the full opportunity of sharing their existing skills and experiences to grow and develop into something exciting and new will be lost. Of particular concern will be the difficulties of operating a shared management over two distinct bases. It can be done, but it does take exceptional managers to make it a success.

With regard to the common factors seen in successful shared services, some of these can be achieved by proposal 2 but equally a number become more difficult, or cannot be achieved, over two sites. The concern therefore is that the risk involved with ensuring the success of the project is significantly increased. In commercial terms an increased risk usually results in an increased cost, both through the cost of mitigation but also through the costs of failing to deliver the anticipated benefits.

4 Performance

Of the four key aims of the proposed shared services perhaps the most important are to improve performance and to reduce costs. The other two could perhaps be considered more as enablers to achieve the desired levels of performance or cost.

- Improved performance for service users
- Stronger more resilient services,
- Reduced base costs of the service
- Flexible and innovative culture

Considering performance first, there are few truly integrated Revenues and Benefits shared services operating across the country, but these few have all been successful in delivering a performance premium when measured against the performance that each authority was receiving prior to the introduction of a shared service.

It is observed that performance is enhanced by the creation of a shared service because of:

- The introduction of stronger SLAs
- The introduction of a resilient performance culture
- Shared expertise and experiences
- Stronger management structures
- Clearer functional identity and focus
- Ability to create stronger job roles within larger entity
- Regular review and improvement of procedures and processes
- Shared ability to increase IT investment

Many of these develop because of the creation of the larger unit and the cultural identity and change that goes with the development of a new body for which new rules apply. This will develop a much clearer 'business model' that effectively operates to its customers, the Local Authorities that created it. By creating an entity that is slightly arms length from the original Councils, an organisation is formed that is much more focussed on its particular delivery responsibilities rather than diverted by some of the wider corporate issues that all Local Authority staff inevitably get drawn into. This ensures perhaps a much more concentrated focus on delivering the excellence of service required by each partner.

Models that have tried to deliver this level of focus and clarity of purpose without the co location of all staff have not generally managed to achieve it, invariably the staff remain concentrated primarily upon delivery to their own home authority rather than to embrace the new opportunities provided by the development of a new organisation with very clear goals and targets and most importantly responsibilities to both, or all, of their partners.

The following tables demonstrate the positive effect of introducing shared services on similar Revenues and Benefits partnerships.

South Worcestershire –Partnership introduced July 2007

Time taken to process benefits new claims:

Council	Actual 2006/7	Actual 2007/8	Actual 2008/9
Malvern Hills	21.66	20.52	15.93
Worcester City	36	27	10.28
Wychavon	22.5	19	11.77

It can be seen that all authorities, experienced a significant reduction in the time taken to assess benefits claims within the year that the partnership was introduced with further significant improvements demonstrated within the following year.

In the following year 2009/10 performance did slightly deteriorate, but all three authorities recognised this as the effect of the increasing caseloads imposed upon them as a result of the recession. All three authorities also agreed that the shared service allowed them to mitigate the effects of the recession much easier and much more efficiently than they would have been able to do as single authorities.

Anglia Revenues Partnership – Partnership introduced August 2003

Council Tax Collection

Council	Actual 2002/3	Actual 2003/4	Actual 2004/5
Breckland	96.48%	97.29%	98.1%
Forest Heath	97.5%	97.5%	98.3%

East Cambridge also enjoyed similar improvement in collection statistics following their participation within the shared service from 2006.

Council	Actual 2006/7	Actual 2007/8	Actual 2008/9
East Cambridgeshire	97.90%	98.40%	99.00%

For all of these Councils and others within similar arrangements the key performance indicators reached unprecedented levels of success.

The success of these shared services to maintain and improve performance and service quality is a result of the factors considered above. But, the delivery of immediate improvement has also been down to an approach similar to that proposed for the Harlow and Uttlesford partnership. The lead in time is sufficient to ensure that all issues relating to combining the services are addressed, the project is well planned and well delivered and above all the customer interactions are completely seamless so that the customers and stakeholders experience no degradation in service throughout the whole transition period.

There is no reason to believe that similar progress should not be achieved between Uttlesford and Harlow.

5 Operational Costs

To compare the costs of proposal 1 and proposal 2 an estimate of cost savings to be achieved through the operation of proposal 2 has been considered. An assumption has been made that the two site will work extremely closely together and will attempt to maximise the savings that can be achieved through working together. However, as considered above the risks of achieving this will be much higher with an arrangement operating over two sites, so with excellent management, high commitment from all involved and some operational difficulties to overcomes this offers an estimate of the affect on savings potential.

It is estimated that proposal 2 reduces the potential savings shared between the two authorities by an estimated £129 879 to give a total saving of £372,631 per annum.

The transition costs will reduce due to the assumptions previously made regarding redundancy and relocation costs, giving a similar expected return on investment of just over one year, when offset against the lower saving to be generated.

It should be particularly noted, as this has been specifically mentioned within Proposal 2, that the costs of relocation for affected staff were previously included within the Transition costs of the project and not within the ongoing service budget. The result of a reduction in these costs is as mentioned above.

6 Future development

6.1 Additional partners

The effect of retaining two sites and generating additional savings by introducing a third partner will undoubtedly be limited by retaining each party on individual sites. If we assume initially that a third party would follow the same structural model and intend to retain its own staff on its own site then it is difficult to foresee where any additional savings could be made.

The savings potential for the IT provision will have already been taken through the competitive procurement undertaken between Uttlesford and Harlow. It would clearly not be cost effective or desirable to undergo a competitive process with the introduction of each new partner and without that process it is unlikely that any additional savings would be generated, even with new partners who already use the systems chosen by the Councils. Without the competitive imperative it is unlikely that any supplier will offer significant additional savings just by joining three, or more, services together.

Without the ability to deliver all three services together that would be provided by co location the potential for delivering economies of scale is extremely limited if not impossible. The potential is reduced to minor opportunities for collaboration.

The management of a dispersed partnership will become even more difficult over multiple sites. This again limits the ability to share management structures and significantly increases the risk of service failure if an attempt is made to remotely manage an increasing number of sites.

In the successful examples of shared services the third partner can have the affect of almost doubling the efficiency saving made by the initial partners. This is because the fixed cost of infrastructure is all in place and needs little or no additional investment to accommodate additional partners. Often the additional cost incurred is just an increase in delivery resources to provide the service.

If we compare similar partnerships such as the Worcestershire partnership and the Anglian Revenues Partnership, both quote savings figures of around £1.2 million with the addition of a third partner. This magnitude of saving can really only be achieved by the benefits of co location that reduce the complication and risk of the arrangement and allow very clear management and operational structures to be introduced.

However, if we consider a second scenario in which for the sake of argument a third authority does choose to join the partnership and does agree to co locate with one of the original partners. The two co located services will potentially become the dominant partners within the arrangement as they will be operating under the clarity of a complete share of operational activity. This will potentially lead to the lion's share of the efficiency savings being generated between the co located partners.

A situation can then be envisaged where tensions will develop between the initial partners that may ultimately lead to the break down of their partnership. These may then be only resolved by the remote partner joining the centralised arrangement or splitting completely. Practically it will be difficult to decide how any savings are shared if partners have differing commitments to the structure that generates the efficiencies.

6.2 Agile working

The convenience of home working is certainly recognised within the development of the shared service and we would strongly recommend the introduction of more flexible work patterns and structures as an integral part of the development of the shared service.

So we certainly see a commitment within both Proposal 1 and Proposal 2 to the development of more flexible arrangements in both instances. The arrangement clearly has many benefits for both the employer and employee and the development of any modern organisation would be foolish to ignore these.

The issue however is the timing of the introduction of the whole raft of initiatives that can be used to develop a more agile approach to work and achieve greater levels of productivity whilst also meeting the needs of a modern work force.

Proposal 2 suggests an increase in home working as a means of reducing the short term affects of disruption to the existing work force. However, whilst this is understandable and may well be a desirable method of limiting the disruptive effect of a change programme of this nature it does not offer the long term benefits of a well planned and implemented programme of Agile working initiatives.

To really succeed an agile working programme must address the needs of the organisation and the individual employee; this is why it is recommended within proposal 1 that a process of role analysis is undertaken that matches the most appropriate work style with the individual role.

To introduce an agile working programme at this early stage of the implementation of the shared service may be counterproductive in the long term, as it will initially complicate the introduction of the benefits of shared processes, procedures and processes and limit the opportunity for development of a positive organisational culture.

To develop a successful shared service the two existing services must work very closely in the early developmental stages to drive out efficiency and promote service improvement. It is this necessity to work together to develop common procedures, processes and working practices that makes co location the most desirable option. The successful shared service is not just a continuation of what has gone before, what we are creating is a completely new organisation to deliver services better and more efficiently than we could before, we must therefore allow that to develop as a priority. To immediately disperse the work force will create enormous logistical issues in building and belonging to the new shared service, these logistical issues will greatly increase the risk of achieving success.

To gain the greatest advantage for both the employer and employee from an agile working programme it is suggested that to ensure the primary success of the shared service the shared service should be developed first and then from the strong base of a combined organisation a planned and considered introduction of agile working is provided.

This may ultimately lead to a very similar arrangement as that proposed within Proposal 2 but with a short period of full co location of the services to allow the organisation to be introduced and bedded in. In this way flexible working patterns are introduced from a position of strength to suit all parties.

7 Conclusion

In conclusion the implications of Proposal 2 have been considered in this document.

The two proposals have their own merits and both would certainly deliver some level of savings to the two Councils.

In financial terms it is anticipated that Proposal 2 would provide a reduced level of saving from year 2 (after transition costs are recovered in year 1) of £372 631 a reduction of £129 879 per annum over the savings anticipated within the original business case.

The current performance is likely to be maintained by proposal 2 but it is unlikely that any improvements could be anticipated, as the proposed operation model retains most of the structural organisation of the existing arrangement and offers, therefore, very little opportunity for gain.

Proposal 2 introduces an increased risk to achieving potential efficiencies from the arrangement, of particular concern is the increased difficulty that is introduced in managing the more geographically spread organisation. To mitigate this it is proposed that, if Proposal 2 is implemented, the management structure should be amended to provide geographically based managers rather than the functional managers proposed in Proposal 1. It should be appreciated that if this is the case the proposed strengthening of management resource in Proposal 1 will be diverted to strengthening the ability to deliver over the wider geographical area rather than towards the promotion and preparation for the introduction of additional partners to the arrangement.

With regards to the introduction of new partners it is anticipated that attracting additional partners will be more difficult if a dispersed structure is selected. The potential gains available from a third partner sharing fixed infrastructure costs will be difficult to achieve, especially if the same model is proposed for the third, or subsequent, partners. If an attempt to expand this model is made it should be noted that management will become yet more stretched and risk will again increase. This risk could only be mitigated by further growth of the management resources that will further prevent efficiencies being achieved.

The principles of flexible or agile working are however supported, and it is recommended that the new organisation considers a carefully considered and planned approach to implementation that considers the requirements of the new organisation and its employees in a structured manner. It is felt however that to introduce the dispersed workforce proposed by Proposal 2 before the creation of the new organisation will delay the introduction of new working practices at a key point in the organisations development. It is far more likely that success will be achieved if the culture and identity of the organisation is developed first and then the appropriate flexibility introduced in response to the needs of the resulting combined service.

The fear is that to do otherwise will encourage the continuation of existing practices and all advantages of shared working will be put at risk.