

Strategic Implications of Shared Working in Regulatory Services



Background

The pressure on local authorities to share services and to collaborate is growing and is likely to increase. Wherever possible, councils will need to maximise opportunities for sharing services across and beyond their local areas.

Realising savings continues to prove to be difficult and may require the adoption of more radical solutions. Integrating or sharing services locally provides an opportunity not only to make savings but to redesign services to better meet the particular needs of the local community.

Shared services can take many forms and can be both formal and informal. Examples include:

- Joint contracting by two or more bodies of another party, private or public, to supply services.
- A 'centre of excellence model' (where one authority deliver services for another).
- A 'pool and transform' model, where capacity is shared with a view to reinventing how services are provided.
- Utilising informal networks and shared learning arrangements.

Working collaboratively through sharing services may mean procuring or commissioning work jointly. This will involve two or more authorities appointing suppliers to provide a service or particular part of a service. Acquiring a new supplier can mean the origination of more innovative ideas, more streamlined efficient working practices and greater opportunities for staff. However it can lead to a perceived loss of local control.

Where one particular authority takes the lead role in supplying certain aspects of a service or an entire service to the other councils it is often deemed a 'centre of excellence' model, (where each partner authority delivers a service or part of a service they perform particularly well to the others). Benefits of this working model can include pooling of scarce resource, economies of scale and the sharing of cut backs across a wider area (thus reducing the local impact). However there may also be issues around staff displacement and there may be complex HR challenges to take into consideration.

Where there is a particular skills shortage within an authority a third party entity may be used to deliver services on behalf of a council or group of councils. Similarly if one council has the capacity and skills needed by another then staff can be 'in-sourced'. However complications can arise as a result of this including a lack of understanding of cultural differences between the authorities involved.

In 2007 the Department for Communities and Local Government (CLG)¹ set out a more practical definition of 'shared services' which has been adapted, for applicability, to shared working as follows:

- Shared services is a collaborative approach to service delivery in which a number of local authority functions or services are concentrated into a discrete, semiautonomous business which has a management structure, staff and other resources designed to add value to the participating authorities and their stakeholders, be this in terms of cost reduction or efficiency gains, and/or improved front line service delivery
- It will also involve either geographic or virtual co-location, through maximising the use of ICT investment
- Such arrangements may or may not also involve the participation of a private sector partner or third sector, to provide capacity, infrastructure, delivery expertise or ultimately to run the shared service on an outsourcing basis.

Therefore in its broadest terms, a shared working arrangement can be defined as two or more authorities (or, within an authority, services) working together to commission and/or deliver a service or function for the purposes of service improvement or to gain organisational efficiencies. This implies a very broad range of possible collaborative scenarios.

Approach

In February 2009, the Local Better Regulation Office (LBRO) invited LCS Limited² to undertake initial research across English local authorities to identify the potential benefits from shared working in regulatory services and identify and share good practice examples from the sector. This research forms part of LBRO's ongoing research and evaluation activity and commitment to drive evidence-based policy regarding local better regulation.

Within the research undertaken across regulatory services a broad view was taken as to what constitutes 'shared working' both in terms of scale and of types of arrangements. In terms of scale, it was recognised that shared working can provide for a continuum of interpretation – from something as simple as sharing administrative systems to a full multi-agency, multi-service partnership. In terms of the type of arrangements these can include, for example, contracting out, and the creation of new legal entities or partnership arrangements.

The challenge of the research was not just to identify the key features of shared working in current operation throughout England and Wales, but also to identify potential benefits that might be obtainable for service users. Given that there are reports existing which demonstrate how to set up shared working and case studies of local authorities which have been delivering on this basis for some years, it was important to try to establish what good shared working looks like.

Desk top research, existing literature and case study examples were reviewed and an internet search of local authority websites looked at the extent of shared working both within and across local authorities.

This information was then used as a basis for discussion with an 'expert group' from professional consumer protection bodies and local authorities. This group was convened in order to discuss what good models of shared working might consist of, their different forms, advantages, benefits and challenges (see Annex 1).

The features of an ideal model were used as a basis for interview questions with thirteen local authorities and led to the identification of potential interview sites and interviewees. The interim results were shared with the 'expert group' and their feedback and challenge in respect of the strategic implications and a way forward for regulatory services informed the content of this report.

Fieldwork research findings were summarised and the strategic implications of the recommendations for action to make existing arrangements function more efficiently and effectively are set within the content of this report along with benefits and challenges which need to be considered.

Benefits of shared services

Shared working arrangements, either within or across authorities, can increase service resilience, enhance training opportunities for professional staff and release resources for reinvestment in front line services. Some of these benefits can be summarised as follows:

- Economies of scale in administration
- Synergies of collaboration with like-minded authorities/ service areas
- Pooling of scarce or specialist skills
- Access to wider range or depth of expertise
- Economies of scale in transactional work
- Potential for income generation
- Increased staff development and/or career opportunities
- Retention of skilled staff as more variety and challenges are offered
- Releasing resources which may be used to move services beyond inspection and into long term prevention via innovative work with others, either locally, to reflect the place shaping role of local authorities, regionally, or through national collaboration
- Creating a single point of contact for customers for greater consistency in the advice and support given to them
- Efficiency gains from increased flexibility and staffing resources to deliver local and national priorities in a context of challenging financial settlements.

For those local authorities who have shared services *internally*, there are often additional advantages including:

- Enhanced flexibility, which is delivered through integrated teams with a single budget and staff members equipped with a variety of skills and competencies, enabling authorities to realise the vision of the Anderson review
- Efficiencies realised through the transfer of resources and capacity, according to circumstances, ensuring regulatory activity is targeted according to risk
- Cross sector projects developed and resourced using the time released through integrated teams
- Reductions in unnecessary burdens on compliant businesses and improved intelligence sharing through greater collaboration between different regulatory services targeting activity on reducing consumer detriment and ensuring a level playing field for businesses
- A reduced number of more effective visits to business premises through the use of multi skilled staff and improved response times, creating the conditions for an improved relationship between businesses and local regulators
- Higher levels of staff satisfaction achieved when a greater variety of regulatory work is available to staff and there are more opportunities for personal development and sharing learning which can play an important role in recruitment and retention of professional staff
- Integrated delivery and strategy which attracts additional funding to focus on priority matters at local or national level.

Risks perceived of shared services

Disadvantages of implementing shared services were also voiced when the research for this report was undertaken. These included concerns around corporate issues such as loss of control by line managers over processes and a reduction in flexibility and ability to change procedure. A second area of concern was around employment and HR issues, such as morale, training, learning opportunities and impacts on service levels. Cost savings were also cited as an area where benefits could be more of a perception than a reality. The fact that longer payback periods could be required and that there may be a poor balance of 'projected' savings offset against the costs of achieving them over the short, medium and long term was also expressed. In association with costs and corporate issues the impact of the cost of redundancies, pension contributions and recruitment was also a key area for consideration.

The current challenging financial climate and the wider operational efficiency agenda within local services, (characterised by the Bichard³ review), create renewed interest in exploring opportunities for shared working.

The rest of this report aims to cover the following areas:

- Key drivers for undertaking shared working in regulatory services
- Additional barriers to developing shared working
- Criteria for success
- Findings
- Issues and recommendations

This initial research concludes that shared working in regulatory services potentially offers significant benefits to local authorities, provides improved services to consumers and businesses as customers of regulatory services and can help realise efficiency gains. However, genuine barriers to implementing shared working solutions exist, including the perception of loss of democratic control, political will and idiosyncratic circumstances at the local level.

There were three key issues associated with the current organisation and delivery of shared working initiatives. These were as follows:

- They are all rather small scale and patchy compared with their potential
- They may have taken things as far as they can in the context of ad-hoc local collaborative service development and,
- They may continue to grow and develop even without a national set of objectives or standards leading to further complexity from the user perspective

The majority of local authorities interviewed for the research said the main reason for developing shared working was to deliver efficiency savings, reflecting the focus of the Bichard review on improving the efficiency of local public services. Only two of the local authorities have been driven by the need to improve services for customers, though all stated that shared working has resulted in better customer service.

Some other drivers still included Gershon⁴ the 2006 White Paper⁵, the transformation agenda and the current fiscal predicament (with a shift towards survival as opposed to improvement). In particular this area of concern has escalated over recent months.

In addition to shared services internally within an authority other reasons for undertaking shared working were also given and varied according to the type of shared working adopted.

For sharing services with *other* local authorities, key drivers were the need or wish to:

- Realise economies of scale in sharing back office support functions between local authorities
- Have access to a wider staff resource in order to maintain specialist expertise against cuts in resources and increasing demands
- Respond to a crisis, such as Foot and Mouth disease, by working closer together
- Maintain or create a strategic regulatory presence and resource.

For sharing services *regionally*, the key driver was a recognition that responding to cross border issues can only be achieved effectively and deliver value for money through regional collaboration and the maximisation of collective effort, expertise and resources.

A number of these drivers, and subsequent benefits, were also visible in shared working between local authorities and cross border working.

Criteria for success

For the development of shared services to move towards a more strategic, outcome focused approach, the following criteria for success apply:

- Aligning the business case for shared working to corporate objectives and strategic priorities, building in sufficient implementation time for business case information to be gathered, evaluated and acted upon
- Agreeing the outcomes to be delivered and means of measuring them at the outset, and making sure that a baseline is set and reporting intervals agreed with all shared working partners
- Delivering both efficiency savings and clear benefits to customers of regulatory services, including consumers and businesses
- Clearly articulating and demonstrating the benefits of shared working to stakeholders, including local elected members
- Ensuring good communication, liaison and relationships with all parties involved, including consumers and businesses, to encourage and maintain trust and enable a clear understanding of each others' respective positions
- Taking advantage of learning from other authorities
- Building in opportunities for staff involvement to develop the new service model and,
- Developing staff locally using apprenticeships and training, rather than having to solely rely on the professional bodies for training and professional development.

Barriers to developing shared services

The research identified the following issues which, where they arise, can be barriers to developing shared working in regulatory services:

- Absence of a strategic focus within the local authority to develop shared working which builds on and actively promotes successful examples of working in this way
- Insufficient attention to investigating and communicating the benefits of shared working, including lack of resources to develop feasibility studies, cost benefit analyses and implementation of shared working
- Approaches to shared working which are led only at officer level leading to a lack of political leadership of the shared working agenda

- Developments arising from the importance of community leadership of the local area which can prevent agreement to shared working because of perceptions that local authorities will lose influence over service delivery in their local area
- Differing visions, ambitions or priorities for the services, based on context, culture or background at either a political or professional level
- Perceptions that the complications of implementing shared working will prove excessive or that the efficiencies to be gained will be insufficient.

Conclusions

During the course of the research there were large numbers of relatively small scale initiatives developed in an ad hoc way to meet very local circumstances or to take advantage of specific local conditions. Whilst valuable and useful in a local context, this approach will not deliver the strategic outcomes sought by the better regulation agenda.

Indeed, while undoubtedly delivering benefits for the providers, such initiatives could simply be adding extra layers of complexity and may not always be to the benefit of service users when considered holistically.

A more strategic and outcome focused approach is required with the support of regulatory partners at both central and local level, recognising that solutions must contribute to the delivery of national priorities but also be responsive to local community and business needs.

Whilst it would take a substantial and complex piece of research to identify options for improved delivery or regulatory services at a national level, the actions recommended can be taken now to make the existing arrangements function more efficiently and effectively.

During the course of the research, the predominant approach to shared services identified was largely ad-hoc, somewhat piecemeal in approach and often on a small scale, with the exception of some regional working. However, recent months have seen a notable change in circumstances for many local authorities, and as incentives for exploring shared working within local regulatory services have increased, some far more innovative approaches are starting to emerge, including collaborative working across the Olympic London boroughs.

Nevertheless, it remains that in regards to shared working in regulatory services, the barriers to implementation can seem stronger than the drivers for sharing services. Whilst the initiatives we identified clearly have value, a more outcome focused approach is required to ensure both service improvement and efficiency gains are realised across the sector. This approach will require the support of regulatory partners at both central and local level, recognising that solutions must contribute to the delivery of national priorities but also be responsive to local community and business needs.

Further details on the work taking place at LBRO can be found at www.lbro.org.uk If you wish to speak to a member of the LBRO team please contact Erica Butler on 0121 226 4000 or erica.butler@lbro.org.uk

Annex One

Participants of the focus group around shared working which took place in May 2009 were as follows:

- Gordon Maddan Expert Advisor, Pinsentmasons
- Steve Brooker Head of Fair Markets, Consumer Focus
- Andy Fielding, Hounslow Council
- Nigel Cates Deputy Director, Consumer Credit Group
- Paul Adams, Luton Council
- Lucy Magill, Thurrock Council

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- ¹ Developing the local government services market. A working paper on local authority shared services. CLG, May 2007, p6
 - ² <http://lcslimited.co.uk/>
 - ³ http://www.hm-treasury.gov.uk/vfm_operational_efficiency.htm
 - ⁴ The Gershon Efficiency Review was a *review* of efficiency in the UK public sector conducted in 2004-5 by Sir Peter Gershon leading to a series of cost cutting recommendations Local Authorities could utilise to reach annual efficiency targets of 2.5% as per the Governments spending review 2004: http://www.lcpe.gov.uk/Library/National_Strategies/gershon.pdf
 - ⁵ Sir David Varney produced a report in 2006 advising the chancellor on the opportunities for transforming the delivery of public services. The report looked at how the channels through which services are delivered can be made more efficient and responsive to the needs of citizens and businesses: http://www.hm-treasury.gov.uk/prebud_pbr06_pressvarney.htm