

**April 2021**

# **Overview and Scrutiny Committee**

## **Shared Services**

### **Report from Scrutiny Review Group**

#### **Review Group Members**

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## RECOMMENDATIONS

Our recommendations, as contained in the body of our report, are summarised below:

**RECOMMENDATION 1: that every decision that the council takes around future shared service arrangements should be supported by robust feasibility studies, options appraisals and business case, which have been considered by CSB and had the opportunity to be critically and constructively challenged by members.**

**RECOMMENDATION 2: that the council develops a checklist of considerations that any future shared services agreement process must take account in order to be confident that the shared service is beneficial to Harrow Council and that any risks identified can be mitigated. This can build on the checklist suggested by the review group.**

**RECOMMENDATION 3: that the outstanding information identified by the Review Group following the Challenge Panel is followed up by O&S as and when appropriate, and as scrutiny work programme and resources allow.**

## BACKGROUND

The economic climate and growing pressures on public services have had a marked impact on attitudes to service transformation. CIPFA reports that 63% of senior local government executives now strongly agree the front-line will suffer if authorities do not radically change how they structure and deliver their core functions. This is manifest in figures collated by the LGA, which shows local government is leading the public sector in implementing shared services. At least 98% of councils across the country currently share services with other councils, amounting to savings of £657m across 486 shared services to date (April 2018). As well as sharing with other local authorities, there are examples of councils sharing with other public sector agencies, private sector bodies and with community and voluntary sector organisations. These arrangements can bring financial benefits to councils through the reduction of duplication and improve customer services. There are also risks associated with entering a shared service and this type of service model is not suitable for specific needs at specific times.

Harrow Council already shares some services. HB Public Law was established in 2012 on the merging of Harrow and Barnet's legal teams, which has allowed both councils to enjoy improved services at a reduced cost. It has since expanded and is now one of the leading public sector legal practices in the UK providing legal expertise to local authorities, schools, academies, housing organisations and others in the public and not-for-profit sectors. Harrow had also partnered with Buckingham County Council to deliver HR shared services, although this partnership has now been dissolved. Conversely, Harrow has also been through a disaggregation of shared services, for example with public health (formerly shared with LB Barnet) and procurement (formerly shared with LB Brent).

## OUR APPROACH

The Overview and Scrutiny Committee commissioned a review of shared services in its work programme for 2019/20 and agreed this review's scope in September 2019 outlining the following aim and objectives for the scrutiny review:

**The purpose of this review is to better understand and influence how shared services can be part of the Council's future commissioning decisions, to deliver better outcomes for residents as well as making efficiencies for the Council.**

The objectives of the review as set out in the scope are:

1. To understand what a shared service is and the protocol the Council follows to enter into a shared service; how this can be improved in terms of the criteria including financial, risk management, quality of service and efficiency.
2. To understand the history of Harrow's shared services and the lessons learnt, especially with regards to efficiency savings for the Council.
3. Use the intel and lessons learnt to guide future shared service ventures.
4. To research and understand best practice, lessons learnt on sharing services and how these can be adopted and implemented at Harrow Council.

For our review we started by carrying out desktop research and a literature review of the relevant background documents which was pulled together into a briefing paper and used to inform our discussions. We subsequently held a challenge panel with Charlie Stewart, the council's Corporate Director of Resources and Alex Dewsnap, the council's Director of Strategy and Partnerships, to further investigate generic issues around shared services as well as explore the detail within each Harrow shared service case study.

Just after we held our challenge panel and before we had completed our work, the Covid-19 pandemic rocked the world and has had a devastating effect on many individuals, families and communities across the world. It has also significantly impacted upon public services, not least local councils who have supported communities and the vulnerable to deal with unprecedented times and challenges.

Because of the council's response to the emergency, scrutiny was halted from late March 2020 and when re-established, its priorities and work programme was refreshed to reflect the new and emerging priorities for Harrow. It is against this backdrop that this report is delayed and, we recognise, incomplete as council resources and capacity continue to be diverted to respond to the pandemic and mitigating its adverse impact. It is important to note that although the report is published in April 2021, the review work concluded in March 2020 and conclusions/recommendations are framed accordingly.

However, we are keen that the work that has gone into this review to date is not wasted and offers value to the organisation going forward. To this end, we present a report with findings to date, flagging up further enquiries that O&S may wish to pick up at a later date. The report also includes recommendations that should inform decisions around any future shared services arrangements for the organisation. We have provided the start of a 'checklist' of considerations for the organisation to take into account if thinking to embark on new shared services.

## WHAT THE INTELLIGENCE IS TELLING US

For ease of reading, we outline our findings by review objective.

**Objective 1 – To understand what a shared service is and the protocol the Council follows to enter into a shared service; how this can be improved in terms of the criteria including financial, risk management, quality of service and efficiency.**

### **What is a Shared Service?**

A Shared Service is essentially the distribution of services across local authorities. Initially, the practice of shared services was limited to IT functions, finance and legal services. It has now spread to even more frontline and visible services.

The Local Government Association's recent 2018 data shows that councils were involved in 559 partnerships, saving an estimated £971million. This is a significant rise compared to the first year of the survey in 2011, where around 219 councils were involved in 143 partnerships saving around an estimated £157million. The main reason given for their increased use was that they are considered to cost-effective.

LGA research shows local government is leading the public sector in implementing shared services. At least 98% of councils across the country currently share services with other councils, amounting to savings of £657m across 486 shared services to date (April 2018). As well as sharing with other local authorities, there are examples of councils sharing with other public sector agencies, private sector bodies and with community and voluntary sector organisations. These arrangements can bring financial benefits to councils through the reduction of duplication, and improve customer services.

The National Oversight and Audit Commission (NOAC's) first report on best practice in Shared Services in Ireland describes five types of shared services have developed:

- **Transactional shared services** - Streamlines repetitive back office transactions.
- **ICT enablers shared service projects** - Common ICT systems developed to allow local authorities to optimise support of best practice technology enablers
- **Collaborative shared services** - Requires cooperation in illustrating the local government's ability to share approaches and benefits from best practice
- **Policy implementation shared services**
- **Changing direction shared services** - Shared services that did not proceed according to proposals in their business cases.

Shared services should be viewed as form of service delivery. Shared services and outsourcing are on a continuum and different parts of the model. Outsourcing is backed up by contractual arrangements. Both are delivery arrangements but the backbone is how well the partners work together to provide a service. It is a partnership and relationship as one party is giving another the role of providing the services that the other has the responsibility or duty to do so. Shared services is another model of delivery, as it is backed by a 'gentleman's agreement' to share people, resources and services – not a contractual agreement. When two authorities are involved, usually one of the authorities would take responsibility to lead and employ the staff etc.

Another model which should be considered as an alternative to shared services and outsourcing is contractual or arms-length models. For arms-length, there is someone who knows how to run a company and has the ability to make an income and innovate (market, package, and profit). This recognises that architects of services are not necessarily the right people to run the operations.

### ***Advantages & Disadvantages of Shared Services***

Below is given some of the advantages and disadvantages of shared services. Some of these will be elaborated in the real Harrow case studies that follow under our exploration of Objective 2.

#### *Advantages of shared services*

- Cost effectiveness – therefore it is a popular option for councils
- Staff opportunities – recruitment of more experienced staff, creation of new roles. Merging also creates opportunities that are attractive to those who are keen on a broader challenge or more unique opportunities such as working in rural and urban areas.
- Innovation – ability to redesign services with more experienced staff, as well as creating new services and programmes for the workplace.

#### *Disadvantages of shared services*

- Lack of sufficient evidence of cost-effectiveness – The University of Oxford has refuted the long standing belief that shared services reduce costs.
- Geographical challenges – staff having to work further away. Though, travelling to different locations can help reinforce work culture and can have a positive effect on staff morale.
- Strain on staff – leaders and chief executives who lead two bodies could find the responsibility challenging, which may put a strain on staff.
- Lack of evidence of improved services – integration of two councils even in a modest way may prove to be a challenge. Councillors are keen to please their own constituency and efficiency rather than taking care in the success of a neighbouring authority. This may prove to be an obstacle in improving services.

In discussions with officers, we were assured that cost-effectiveness alone cannot be the reason for entering shared services arrangements. Deleting posts at management level takes out the strategic direction that would have been to that organisation. Furthermore, merging posts across two organisations can make it difficult to drive forward the strategies for both organisations. Getting rid of the ability to think strategically and drive forward the organisation is a particular loss for areas such as HR and IT. Having compatible political desire and general views on how to take organisation forward works best in management layers. By way of example, the shared HR service with Bucks became a transactional relationship, at the expense of lost strategic drive. Therefore, cost effectiveness should not be a key driver in deciding upon a shared services model.

Mass makes a difference - where smaller councils do not have the size/mass to have specialist expertise or functions, sharing services can mean that resources across organisations can be pooled and two councils can share a specialist resource e.g. employment lawyer. This may be one reason why Bucks came to Harrow for legal

services. Bringing in expertise where it does not currently exist is definitely an advantage of the model.

Outsourcing the organisation’s problems elsewhere is advised against. It is better to resolve issues first and then outsource. There are a wide range of management techniques and transformational techniques available to improve a service.

There is a need for a robust shared understanding from the outset of the shared services arrangement. This includes understanding the real pros/cons of the model before entering into arrangements.

At Harrow, proposals to enter a shared service are developed and presented to the Corporate Strategic Board (CSB) a number of times, before a report is prepared and presented to Cabinet for approval. Proposals are backed by feasibility studies, options appraisals and business cases.

**Objective 2 – To understand the history of Harrow’s shared services and the lessons learnt, especially with regards to efficiency savings for the Council.**

To better understand the history of Harrow’s shared services arrangements we selected a number of case studies to investigate:

- HB Law
- HR Service
- Procurement
- Trading Standards
- Special Needs Transport

These case studies are outlined as the information provided to us in autumn 2019 in compiling our desktop research.

Shared Service	HB Law
Duration of agreement (and if still ongoing)	<p><b>Harrow and Barnet</b></p> <p>1 September 2012 – 31 August 2022 (was extended)</p>
Aims & objectives of agreement	<p><b>Aim:</b> To facilitate development of resilient and cost-effective legal practice, to provide improved support to both councils at a reduced cost. The transfer of staff from Barnet Council Legal Services to provide more efficient combined services to both councils. In turn, reduce overall cost of legal services (including use of external lawyers)</p> <p><b>Objectives:</b></p> <ul style="list-style-type: none"> <li>• To reduce reliance on outsourcing work to external suppliers, maximise utilisation of staff and address issues demand, staff availability, workload peaks, service delivery, pressure on budgets, greater complexity of work</li> <li>• Offer staff improved career opportunities</li> <li>• Avoid duplication</li> <li>• Greater range and depth of services, with less need for onward referral</li> <li>• Increase viability of employing specialists, reducing cost of external services</li> <li>• Faster and more flexible reactions to Council’s demands</li> <li>• Access other potential income streams to offset the cost base</li> <li>• Establish new ways of working to establish the potential of the model</li> </ul>

<b>Set-up costs</b>	<p>The set-up costs include the transfer of data, people and archives and setting up operations in Harrow. Integration and training costs are also included. Barnet's share of these costs is £200,289, subject to confirmation of the Capita initial costs. These would be paid in equal instalments over 5 years.</p> <p>Barnet: £200,239</p> <p>Hounslow: £338,757</p> <p>Bucks: £349,969</p>
<b>Anticipated savings/actual savings</b>	<p>Anticipated: April 2012 forecast: 36% over the 5 years, projected to save £300,000 by 2013/14.</p>
<b>Outcome (its success, pros &amp; cons, lessons learnt)</b>	<p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>• Unified practice – training and merge would ensure a cohesive and effective unit.</li> <li>• Staff and union representatives from Harrow and Barnet were briefed on the proposal and initial staff views were positive.</li> <li>• Minimising environmental impact by implementing agile working practices, increasing video conferencing and reducing the need to travel between Harrow and Barnet.</li> <li>• Knowledgeable and motivated staff</li> <li>• Innovation – exploit technology to enable efficiencies in practices</li> </ul> <p>Reduce costs by delivering services in-house where appropriate e.g. in-house advocacy and training</p> <ul style="list-style-type: none"> <li>• The HB merge was not perceived as the end goal, further growth and expansion would be pursued (Cabinet Report 2015)</li> </ul> <p><b>Initial concerns (risk management):</b></p> <ul style="list-style-type: none"> <li>• Channelling of new work through the new practice</li> <li>• Staff support and buy in for the new practice</li> <li>• IT and data transfer issues as files are moved to Harrow</li> </ul> <p><b>Lessons learnt:</b></p> <ul style="list-style-type: none"> <li>• It was important to have due regard for promoting equality of opportunity, and fostering good relations between Harrow's existing and merged employees. It was also important to consider an appropriate employment model which minimised management, pay and reporting complications.</li> <li>• Other lessons learnt included improving coherence and conversation: for example clarifying and agreeing overheads which Barnet would pay, set up costs, pension liabilities and number of chargeable legal hours.</li> </ul>

### Observations

The model of the HB Law service is an agreement that each council buys a certain number of hours of specific specialist legal work from the shared service. The final bill depends on the rigours of the demand, which may vary during the year. In expanding to cover other local authorities HB Law would need to ensure equity with existing shared services partners, so that is included in the shared services agreement. There is a different set of rules of procurement if a council goes out to procurement or if they enter into a shared services arrangement with another local authority.

Bucks may have withdrawn from the Harrow arrangement for Legal services because when it becomes an unitary authority in April 2020 it will have the critical mass within the districts it now oversees to run the specialist legal aspects it needs as singular services.



HB Law has been a beneficial venture for Harrow in terms of income and also critical mass. However the downside is cultural in that managers go to Legal colleagues impromptu because they are on site. This may also be exacerbated by a HR service that has not been functioning to optimal levels. Set procedures for people to follow about who is the most appropriate to go to is one area that is being improved, standardised and made easier to use. We were told that the organisation should be able to demonstrate in a year's time how a better functioning HR service has relieved some demands on legal advice.

When we probed about the lessons learnt from the HB Law experience, officers suggested that hidden costs and management costs are often in this - Legal staff are all Harrow employees. Also reiterated was that it is a two-way relationship - Harrow has the benefit of being the provider, whilst the other authorities have the demand that they need to have management and governance to oversee the relationship.

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Shared Service	HR Service
<b>Duration of agreement (and if still ongoing)</b>	<p><b>Harrow and Buckinghamshire County Councils</b></p> <p>1 August 2016 (OD Service) &amp; 1 April 2017 (Rest of HR Service) - 01 October 2019 (intended to end 26 July 2020, but BCC gave notice period on 1 October 2018)</p>
<b>Aims &amp; objectives of agreement</b>	<p><b>Aim:</b> To enable the councils to run with more efficiency, deliver long-term savings and benefits to both councils. Transfer of Harrow staff to be incorporated with Bucks HR provision. The creation of a shared HR service will support the Council in meeting MTFS savings targets.</p> <p><b>Objectives:</b></p> <ul style="list-style-type: none"> <li>• Improve budgetary pressures, capacity and expertise</li> <li>• Pool skills and resources, optimise use of IT systems</li> <li>• Develop a business case which proposes co-location of teams to promote an efficient service and drive out inefficiencies.</li> <li>• Establishing a good working relationship with teams that have a direct impact on the HR Shared Service, with a view to creating a one-team perception for customers, minimise need to reduce front-line service to residents.</li> <li>• Ensure affected staff are kept well-informed, engaged and reassured.</li> <li>• Improve career opportunities for colleagues.</li> <li>• Bucks to strengthen commercial function, enhancing customer experience, income generation and commercial growth. Longer term – maximise return on commercial work, enable better use of technology and self-service opportunities</li> </ul>
<b>Set-up costs</b>	<p>The upfront costs for phase 1: £10,962.17.</p> <p>According to the charging provisions, Harrow's HR contributions were:</p> <p>Year 1 (1 August 2016 – 31 March 2017): £254,346 (the OD Service)</p> <p>Year 2 (1 April 2017 – 31 March 2018): £691,494 (full HR and OD Service)</p> <p>Year 3 (1 April 2018 – 31 March 2019): £605,616</p> <p>Year 4 (1 April 2019 – 30 September 2019): £302,808</p> <p>NB: The HR Service and Payroll have SLAs with local schools. As part of the arrangements of the Shared Service the baseline position of the 2016/17 year was taken as the level of income that the Shared Services needed to maintain from Harrow Schools. Within the Inter Authority Agreement any potential drop in income from Harrow schools was to be fully at BCC risk, and therefore the service level that Harrow Council received was not to be impacted by this loss of income. Conversely, a rise in income was to be split as per the agreement on a 36:64 Harrow:BCC split.</p>
<b>Anticipated savings/actual savings</b>	<p>Total anticipated savings: £250,000 (2016/17: £140,000, 2018/19 - £110,000) (Cabinet Report 18 February 2016)</p> <p>The cost schedule as indicated above was predicated on this savings schedule being delivered.</p>
<b>Outcome (its success, pros &amp; cons, lessons learnt)</b>	<p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>• Suitable alternative to outsourcing to an external provider. (Project Minerva (Cabinet report, 15 January 2014) suggested that outsourcing would not generate the savings needed for both councils – shared services would).</li> <li>• Implementing a shared service managed by Bucks was considered the best option to deliver savings and align with meeting objectives.</li> <li>• The proposed shared service would facilitate delivery of MTFS savings targets for 2017/18 and 2018/19.</li> </ul> <p><b>Lessons learnt:</b></p> <ul style="list-style-type: none"> <li>• In transferring the strategic HR function, then although a shared service, the Council was reliant on a wholly different organisation to give such advice to senior stakeholders. With the HR Service coming back, a key lesson is to consider whether in any future shared service model the Council can clearly split the strategic from operational/transactional roles.</li> </ul>

- Staff engagement is essential to have full buy-in to any new endeavour. This was made more difficult after the first full year as BCC had a different pay policy and therefore the 2% NJC pay award was not awarded to those staff that were still on Harrow Terms and Conditions, i.e all the HR staff that TUPE'd across to BCC from Harrow.
- Cannot ignore LGPS implications of entering and exiting a shared service. If staff move their pension rights, there is a transfer between schemes based on the GAD standard valuation. With regards to staff transfers, Harrow must 'top up' the fund if the liabilities exceed the assets. For the HR shared service, the potential impact to the pension fund was £100k (approx.). Therefore, when entering into and ending a shared service, it is important to consider all of this as a bearing to part of any deal or financial consideration.
- Institute for Government Report: "What has worked and what needs reform?" Government should not outsource services that are integral to its own purpose without oversight. Since HR is an integral strategic function, it should be kept in-house and free from a shared service agreement. It would otherwise be unable to maintain stability in its core function. Outsource for the right reasons, e.g. Expertise, economies of scale or new technologies that allow for better/cheaper delivery of services rather than where there is little reason to think it will work, or where the focus is on unrealistic cost savings.

### **Observations**

The HR shared service arrangement with Bucks was based on a memorandum of understanding and there were self-imposed conditions in the agreement. The arrangement meant that Harrow did not need to go through the procurement regulations of procuring a service provider. In the Bucks HR service, Harrow was looking for a cost reduction and that did reduce costs through achieving savings. However, this is to be juxtaposed against the HR service not delivering the council's needs, so there needs to be questions raised about value achieved. A £426k re-investment in HR was agreed in the council budget for 2020/21. We heard that the value of the service was not priced properly in the first agreement with Bucks. The shared services arrangement with Bucks saw them leading HR and Harrow leading Legal services.

One point of learning around shared services that the HR case study highlighted to us was that when one side feels the other is getting a much better deal, it can lead to problems. Also the arrangement felt as if Harrow had outsourced HR to Bucks and that Harrow no longer retained any control over the strategic aspects of the service. The arrangement did not see any IT integration undertaken, so in effect the strategic ambition was very low. All it saw was a transfer of staff. Furthermore it was suggested that Bucks may have found Harrow 'noisy' especially with regard to industrial relations and that Bucks staff were not accustomed to the level of scrutiny on decisions that Harrow's trade unions gave them. Political control and politics of officers and trade unions are all in the mix when it comes to running a shared service between two authorities.

With regard to savings, all the savings as part of the MTFs were achieved. However it was not economically viable to run the service on this and therefore not good value for Bucks – this may be one reason why Bucks exited the agreement. Harrow lost strategic focus at its expense.

With regard to monitoring, performance management and identifying improvements, there were quarterly meetings with the relevant portfolio holders in Harrow and Bucks with the senior officers responsible, to monitor performance. It helped that the portfolio holders

also had Legal services within their remit so the whole Bucks/Harrow arrangement could be considered in the round.

Shared Service	Procurement
<b>Duration of agreement (and if still ongoing)</b>	<b>Harrow and Brent</b> 01 September 2016 – 31 March 2018
<b>Aims &amp; objectives of agreement</b>	<p><b>Aim:</b> Develop a resilient and cost-effective procurement and commercialisation service which can provide improved support to Harrow Council and Brent Council, at a reduced cost. To permit the delivery of savings in the procurement budget for both councils.</p> <p><b>Objectives:</b></p> <ul style="list-style-type: none"> <li>• Improve budgetary pressures, capacity, expertise for both councils</li> <li>• Pooling knowledge, skills and resources</li> <li>• Improve career opportunities of staff</li> <li>• Identify collaborative procurement opportunities and implementing best practice systems and processes</li> </ul>
<b>Set-up costs</b>	<p>No upfront cost apart from officer time. LBH contribution into the Shared Service budget year 1: £586,644.</p> <p>The aspiration for the Procurement Shared Service was to be able to provide Commercialisation and Procurement services to the founding partners at no cost within 5 years.</p>
<b>Anticipated savings/actual savings</b>	<p>2016/17: £108,000</p> <p>2017/18: £182,000</p> <p>2018/19: £180,000</p> <p><b>Revenue and Capital Outturn 2018/19:</b> Within the resources directorate, saving reference RES15 for £0.151m for restructure of commercial, contracts and procurement function. The saving was unachieved due to the ending of the procurement shared service with Brent. However the budget has been realigned across the division to mitigate this. (Cabinet Report 20 June 2019)</p>
<b>Outcome (its success, pros &amp; cons, lessons learnt)</b>	<p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>• To provide a platform to undertake work for other agencies and greater influence to deliver collective aspirations with regard to Small and Medium Size Enterprises (SME) engagement, apprenticeships and social value</li> <li>• Allowed the Council to avoid making 54% budget cuts, and instead retain a well-functioning workforce</li> <li>• Harrow-led shared service would reassure both councils that critical activities would not fail as there would still be resilience in the new structure (clear two stages – 1) Brent delegated their procurement functions to Harrow supported by an Inter Authority Agreement, 2) created a shared service new target operating model)</li> <li>• Shared service more appropriate option than joint working, which would not have improved resilience</li> <li>• Collectively become a significant customer for a number of areas of major spend. The aggregated spend on specific categories give way to opportunities to deliver savings, value for money and social value for the councils by increasing attractiveness to third parties.</li> </ul> <p><b>Initial concerns/ lessons learnt:</b></p> <ul style="list-style-type: none"> <li>• Potential political issues about governance and control of the shared service, opposition from staff. (Cabinet Report 2016)</li> <li>• Shared service relationships are inherently fragile and it is only possible to mitigate (not eliminate) risks associated with entering into a Shared Service. However, the work prior to agreeing a shared service across both organisations has to focus on bringing the hearts and minds of officers on the ground with us and not just the leadership.</li> </ul>

## Observations

Officers told us that there was a memorandum of understanding between Brent and Harrow. Some economies of scale were sought by building up a mass of skills, capability and expertise, to apply pressure on suppliers. The arrangement operated for 18 months but was not necessarily well functioning. Essentially, Harrow was running Brent's procurement service from Harrow, but without integrating any systems. A key lesson learnt from this experience rested on how invested both parties are in making the arrangement work - culturally are both local authorities up for going on the same journey to improve contracts and regulations etc? From the Harrow perspective, most of the anticipated savings were achieved however the risk that was not understood was what happens if one authority's words or intentions are not met by their actions.

We noted that in the 2015 commercialisation paper, procurement was identified as a real opportunity, however we were told that Harrow did not do any joint procurement exercises with Brent as a consequence but rather Harrow advised Brent on its procurements. There were opportunities to share skills and expertise, rather than achieve economies of scale.

Shared Service	Trading Standards
<b>Duration of agreement (and if still ongoing)</b>	<b>Harrow and Brent</b> 1 April 2015 (partnering since 1970s) – ongoing
<b>Aims &amp; objectives of agreement</b>	<p><b>Aim:</b> To continue to promote and maintain an equitable trading environment for consumers and businesses, creating a fair and level marketplace, in which consumers can transact, (and businesses can trade), with confidence. The arrangement to continue being led by Brent Council. The combined service is of a significant size and so must serve its purpose and meet both boroughs' needs. New delegations are needed to support new initiatives into the arrangement.</p> <p><b>Objectives:</b></p> <ul style="list-style-type: none"> <li>• For the service to continue to effectively respond to consumer complaints, give advice and information to residents and business owners, ensure consumers are more empowered to resolve their disputes and businesses are confident to invest and trade.</li> <li>• Agree delegations for further elements of the service, including the Illegal Money Lending project (for which there are no costs as it is a BIS-funded scheme) and the charging for the Primary Authority Partnership.</li> <li>• Delegate authority to the Corporate Director Environment and Enterprise in alignment with Brent Council's Strategic Director of Environment and Neighbourhood Services and in consultation with the Portfolio Holder for Community Safety and Environment. This will conclude the year-on-year changes to the SLA to reflect the council's operational needs and to do so, it is necessary to delegate.</li> <li>• Introduce a charge base regulatory advice service for businesses – up to seven hours free advice, after which an economic rate would be charged. Brent proposes PAP scheme in Brent to reduce regulatory burden on businesses and reflect consistency with approaches between local enforcement agencies. Harrow would be able to determine number of hours free service and the charge, after delegation to Brent and inclusion to SLA.</li> <li>• Proposed changes to improve illegal money lending and business regulatory advice aspects of service and to contribute to improving community safety.</li> </ul>
<b>Set-up costs</b>	<p>Cabinet report 15 January 2014: The current cost of the service is £625k The MTFS reductions mean that the net budget available is £485k in 2013/14. The 2014/15 available budget and service level is to be discussed as part of the SLA.</p> <p>No additional costs for Illegal Money Lending project and charging for regulatory advice.</p>

	2018/19 budget: £380k.
<b>Anticipated savings/actual savings</b>	Current income target £20k (approx.) – to charge for business advice
<b>Outcome (its success, pros &amp; cons, lessons learnt)</b>	<p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>• A dedicated team who work well delivering days of action and other joint work.</li> <li>• There is a consistent approach across the two boroughs.</li> <li>• Reduced overheads and support costs, as there isn't a need to employ a dedicated Chief Trading Standards Officer, or put facilities in place (e.g. TS lab).</li> <li>• Brent Trading Standards recognised as some of the best in London.</li> <li>• In 2013/14 additional income and further efficiencies have resulted in £190k reductions to Harrow residents without affecting the quality of service.</li> <li>• The Trading Standards team cost each resident 78p for the year across both boroughs, which is below the national average of £1.69 as reported by the Trading Standards Institute in 2017.</li> <li>• The Service continues to respond to consumer complaints, gives advice and information to residents and business owners, to ensure consumers are more empowered to resolve their disputes and businesses are confident to invest and trade.</li> </ul> <p><b>Lessons Learnt:</b></p> <ul style="list-style-type: none"> <li>• The day-to-day business can be improved as sometimes the Trading Standards actions in Borough not always clear.</li> <li>• A much reduced service due to year-on-year cuts / savings.</li> <li>• Due to limited staff resources and depending on national priorities, new work plan would be reactive, rather than proactive, thus allowing the Trading Standards Team to mainly focus on statutory responsibilities/to balance statutory functions. Any service requests which fall outside of this scope would need to be risk assessed before further investigation is commissioned.</li> </ul>

### Observations

We understand that the statutory responsibilities of Trading Standards is minimal, and in the current public sector climate that may explain why services are diminishing – the scope and amount of work can be reduced whilst maintaining statutory duties.

<b>Shared Service</b>	<b>Special Needs Transport</b>
<b>Duration of agreement (and if still ongoing)</b>	<p><b>Harrow and Brent</b></p> <p>1 September 2016 – 31 July 2019 (Extended by another 3 years to July 2022).</p>
<b>Aims &amp; objectives of agreement</b>	<p><b>Aim:</b> To merge Harrow and Brent's SEN transport services to provide high quality service in accordance with the service standards, and commitment to people including staff and users, while delivering long-term savings and benefits to all parties. Harrow Council to deliver the necessary procurement of special needs transport, labour supply and taxi contracts to meet the shared service needs.</p> <p><b>Objectives:</b></p> <ul style="list-style-type: none"> <li>• Implement the service within the core budget agreed by SNT advisory board</li> <li>• Achieve solutions for the benefit of users and achieve best value, equally for each party</li> <li>• All parties being equal stakeholders</li> <li>• Balance demand and budget to address the increase of pupils requiring transport assistance from the service.</li> <li>• Address financial pressures due to need for new routes and larger vehicle sizes.</li> <li>• Develop consistency around drivers and escorts via training and improve vehicle standards.</li> <li>• Improve efficiency to address increase in user demand.</li> </ul>



<b>Set-up costs</b>	<p>Mob iSOFT licence extension to cover Brent operations: £16,000</p> <p>Training for Brent staff: £2,000</p> <p>Total set up costs: £18,000</p>
<b>Anticipated savings/actual savings</b>	<p>Cabinet report 21 April 2016:</p> <p>Combined anticipated savings: £1.17m over 3 years</p> <p>Harrow's anticipated savings: £571k.</p> <p>MTFS 2016/17 People Directorate savings: £514k over 2 years (ref PC33).</p> <p>Actual savings:</p> <p>2017/18: £309,765</p> <p>2018/19: £270,492</p>
<b>Outcome (its success, pros &amp; cons, lessons learnt)</b>	<p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>• Combined database of clients made it possible to set up route share between both boroughs and generate income/savings as a result.</li> <li>• The larger merged office staff team is better resourced to handle the shift work required to adequately manage the service.</li> <li>• The main qualitative service improvement is that prior to the joint service neither council had a Quality Assurance function. The shared service has created such a function and that did not cost Harrow any more money as the merger created the capacity to make this happen.</li> <li>• Harrow has benefitted from a management fee income and a parking space rental income.</li> <li>• The shared arrangements provided greater economic buying power and this has benefitted both councils. Agency drivers and passenger assistants - Harrow receives these at rates lower than the Pertemps contract. The service was given approval to use this external provider.</li> <li>• Encourage greater efficiencies in operational front line staffing (drivers and escorts), shared policies from cross working with seconded staff, systems and processes (use of single routing and scheduling IT system).</li> <li>• Better use of Harrow's physical premises assets to reduce operational cost of shared service. Harrow is able to provide shared parking, office facilities at the Central Depot.</li> <li>• Helping to alleviate budget pressure of £1m.</li> <li>• Alleviated strain on financial challenges faced while instead of looking to budget cuts, the arrangement still strived to protect vulnerable residents and was a suitable solution.</li> </ul> <p><b>Drawbacks:</b></p> <ul style="list-style-type: none"> <li>• Increased number of clients has meant an increase in the number of incidents and issues to deal with, making the service more complex.</li> <li>• Brent Council has a higher number of complex needs clients, adding to the workload of the service.</li> <li>• The initial secondment arrangement where Brent staff transferred to Harrow offices was a major challenge and took a long time to bed in.</li> <li>• The unification of policies and processes of both Boroughs was a significant challenge.</li> <li>• The geographical distance of Brent clients from the Harrow office and depot added to the overall operational costs as vehicles and drivers had to do extra miles. This is a key consideration in any future merger considerations.</li> </ul> <p><b>Lessons learnt:</b></p> <ul style="list-style-type: none"> <li>• While increasing client base, take care to ensure service quality does not weaken.</li> <li>• When transferring staff, ensure well-integrated workforce via strong communication and engagement.</li> <li>• Operating two vehicle fleets has been possible as the vehicles are parked at close proximity to the workshop and morning dispatch staff. It would not be efficient for the fleet to be operated from a remote site which would require a separate management set up, workshop and dispatch staff.</li> </ul>

## **Observations**

Given that there is a SNT review ongoing at the moment, addressing demand and supply rather than the shared service with Brent, we decided to wait for the outcomes of committee discussion on this report to inform our conclusions about the shared service. The first phase of this review has reported and was due to be presented to P&F on 26 March. However, given the Covid-19 pandemic, this meeting was cancelled.

## **Objective 3 – Use the intel and lessons learnt to guide future shared service ventures.**

In the background research for the review, the following emerged as some lessons from shared services in other local authorities to take into consideration when starting to explore possible shared service ventures:

- Recognise politics: Political drive to implement shared arrangements is essential to overcome issues such as individual councils appearing to lose their political sovereignty. It is an advantage when both councils have the same political party in power, however there are examples of successful shared services run by councils of different political persuasions.
- Have an 'exit strategy' as part of the formal agreement between partners. For example, although North and North East Lincolnshire have a shared procurement arrangement, each continues to employ half of the staff making it easy for them to revert to their previous separate teams if things did not work out.
- The process takes time. The development of shared services can take three years to work through the legal and financial implications of the establishment of a jointly owned shared service company. They are not an overnight solution to service delivery.
- Visiting other sites to discuss their experience and to understand the problems other councils have had is valuable.

Looking specifically at the shared services experiences in Harrow, as outlined in the previous section, the following lessons can be drawn upon by the organisation:

- In a world trying to make significant savings, often we overestimate the savings and underestimate the impact on governance, cultural fit, organisational design etc. In Harrow's HR experience, the integration did not work. Liquidity in the system is important – there needs to be something in it for everyone and when this falls apart so does the relationship.
- There needs to be a level of sophistication in developing a checklist of things to consider before the organisation enters into any future shared services relationships. The planning cycle is for a 3-year MTFS but every time funding reductions are delivered by central government the funding model needs to change quicker than the shared service agreements can allow. For example, the Bucks agreement was a 5-year deal struck in 2017 however it is difficult to foretell the funding window for 2022.
- Shared services work for some at certain times. All types of organisations have learnt from the model of choice a while ago and since had a lot of learning about what works and what does not. Officers gave the advice to not go into shared service agreements with the primary reason of making money or achieving savings.



- The HB Law case study demonstrates a success and providing quality of legal advice, that would not have been available had it been kept as a single service. HB Law has helped build capacity and professional skills which should be placed above cost savings.
- Knowing your exit strategy is important.
- The procurement shared service has brought about professionalisation of the service but highlighted the importance of bringing like-minded councils together – with similarity and continuity of aim.
- HR case study - do not outsource strategy. Operational facets of a service are better to relinquish to another council, rather than strategy.
- Broader learning shows that there is increased savviness of local authorities which has been a good by-product of outsourcing. Councils have learnt about different models through trial and error, and are still learning by error. Comparing and contrasting with the private sector is good but needs to recognise that they are not the same sector and come with different perspectives.

### ***Developing a checklist of considerations***

In taking learning from this review forward, we believe that all future decisions around shared service arrangements should be supported by a robust business case. This business case, in its development, should take account of the following factors relating to sharing services with another organisation:

- Financial
- Quality of service
- Risk management
- Efficiency
- Workforce
- Organisational strategic direction
- Cultural

A protocol/checklist for any future shared services agreement process should be developed by the council and outline what needs to be considered in the organisation to be confident that the shared service is beneficial to Harrow Council and that any risks identified can be mitigated. We provide in the table below, drawing on what we have learnt from this review, a suggested checklist that could be built upon by the organisation to support this goal.

<p><b>Financial</b></p> <ul style="list-style-type: none"> <li>• Knowing all costs at the outset so there are no surprises or 'hidden costs' - what is and is not included in the costs?</li> <li>• Will it generate income and allow commercial growth, if expanded to other organisations? This should recognise that the architects of services are not always the best to run operations.</li> </ul>	<p><b>Quality of service</b></p> <ul style="list-style-type: none"> <li>• Will it improve the customer journey/experience?</li> <li>• Does it harness the benefits of best practice?</li> </ul>
<p><b>Risk management</b></p> <ul style="list-style-type: none"> <li>• Who is leading the shared service and is there a mutual understanding of roles and responsibilities?</li> <li>• The fragility of shared services arrangements when treading the uncharted waters considered – mitigation not elimination of risks is more likely. Need leadership to change hearts and minds of all involved.</li> <li>• Are robust exit strategies in place?</li> </ul>	<p><b>Efficiency</b></p> <ul style="list-style-type: none"> <li>• Will it lead to reduction in duplication of processes? Economies of scale.</li> <li>• Will it enable innovation? Enabling service re-design to suit the changing needs of customers and organisational direction of travel.</li> <li>• Opportunities to explore further collaboration further down the line.</li> </ul>
<p><b>Workforce</b></p> <ul style="list-style-type: none"> <li>• Allows building up of critical mass of specialist expertise and/or functions. Bring in expertise where it currently does not exist.</li> <li>• Readiness to share people, resources and services.</li> <li>• Staff opportunities for development.</li> <li>• Engagement with staff, politicians and trade unions.</li> <li>• Factor in capacity in the short-term, especially at senior level, to deliver change required to adopt the shared service.</li> </ul>	<p><b>Organisational strategic direction</b></p> <ul style="list-style-type: none"> <li>• Allows maintenance of control over the strategic direction of the organisation – retain the ability, capacity and resource for strategic thinking to drive the organisation forward so that strategic focus and ambition is not lost.</li> <li>• Is the new arrangement greater or less responsiveness to organisation's needs?</li> <li>• Does it offer enhanced organisational resilience and future proof against changing government and local policy?</li> <li>• Does it enable strategic growth for example in adoption of technology?</li> </ul>
<p><b>Culture</b></p> <ul style="list-style-type: none"> <li>• Politics and direction of the organisations involved – how well will the partners work together to provide a coherent service?</li> <li>• Mechanisms for governance and control.</li> <li>• Culturally are both organisations signed up this journey both in terms of human investment as well as financial investment? Can both organisations back up their words with actions?</li> <li>• Are the equalities and diversity responsibilities of the organisations as employers, community leaders and service providers aligned and compatible?</li> </ul>	

**RECOMMENDATION 1: that every decision that the council takes around future shared service arrangements should be supported by robust feasibility studies, options appraisals and business case, which have been considered by CSB and had the opportunity to be critically and constructively challenged by members.**

**RECOMMENDATION 2: that the council develops a checklist of considerations that any future shared services agreement process must take account in order to be**

**confident that the shared service is beneficial to Harrow Council and that any risks identified can be mitigated. This can build on the checklist suggested by the review group.**

**Objective 4 – To research and understand best practice, lessons learnt on sharing services and how these can be adopted and implemented at Harrow Council.**

***Best practice and lessons learnt on sharing services and how these can be adopted and implemented at Harrow Council***

When thinking about sharing services, the Local Government Association (LGA) recommends that councils consider what benefits sharing will bring to the service, and if sharing is the best way to achieve those benefits. According to recent University of Oxford research, shared costs do not always reduce costs or improve performance. There is little evidence on whether the arrangement's intention (i.e. cost savings) was achieved without adverse impact on service quality. In the current financial climate, the primary rationale for sharing in many cases is the opportunity to achieve economies of scale. There are differing views on whether such benefits are achievable. Some commentators disagree that sharing services to increase the volume of activity will bring economies of scale. They argue that a common result of higher-volume processing is an increase in the number of errors which then create additional work in resolving them. Other approaches to process improvement argue that economies can better be achieved by improving the flow of work rather than increasing the quantity of it. For example, eradicating unproductive activities in the processing of revenues and benefits claims will lead to shorter processing times and enable additional work to be taken on without additional cost. In a number of cases, the move to shared services has occurred in tandem with efforts to re-engineer business processes and transform service delivery.

While the move to shared services presents an opportunity to redesign services and implement new, more cost-effective ways of working, there may be some work that councils need to do ahead of the change, for example to align policies or work practices, or to move to common IT platforms. Councils also need to consider whether there are any existing contracts relating to a service that would prevent them from moving to a shared service arrangement until a specific date.

Some of the most commonly cited barriers to sharing are cultural or behavioural. These can include political concerns over losing sovereignty and control over council services. Many of these cultural issues depend on the maturity of the partnership. They can be overcome where there is strong and effective leadership which builds political support across the organisations and attention to cultural change to bring staff on board.

In 2008 the Office of Government Commerce published lessons learned from more than 20 Gateway Reviews of shared services programmes and projects. These offer some useful advice around establishing shared services:

1. Develop a sound business case to support the decision and keep this under regular review.
2. Develop a realistic benefits realisation plan with unequivocal buy-in from the stakeholders.

3. Ensure the organisation has the capacity, capability and resources to deliver the shared services solution. Timescales also need to be realistic.
4. Ensure stakeholder buy-in is obtained from the outset and sustained throughout the development and implementation of the shared services solution.
5. Develop service level agreements which are practical and realistic.
6. Develop sound migration and transition plans – including data migration and cleansing.
7. Anticipate and manage staff sensitivities through effective communication.
8. Develop a contingency plan as part of the wider risk management strategy.

### ***Support from the LGA***

Each council will need to decide its own strategy, direction and destination for shared services and management. These will not be the same. To be a provider or commissioner of services, to adopt incremental or transformational change, to share a wide range of services or a few – are all valid approaches. The LGA has produced an interactive map detailing shared services examples from councils across England. It indicates who is sharing what and the savings and benefits achieved or expected. The LGA has also launched a shared services match making service to provide assistance to support councils who wish to share services and / or management teams with other councils. This would be a good first port of call to connect Harrow with other councils wishing to start a new shared service and / or assist in enlarging existing arrangements. The offer includes access to funding for a dedicated shared service expert and / or paid for external mediation advice and support.

LGA research in 2017/18 found:

- Number of councils engaging in shared services is on the rise.
- In 2017, 486 partnerships had £657m estimated savings, a large increase from 2011, during which 143 agreements led to £157m savings.
- In 2018, councils involved in 599 partnerships, with £971m anticipated savings.
- From 2007 to 2010 there were only 74 arrangements, but from 2015 to 2018 there were 182 arrangements.
- Agreements vary from region to region in the UK. In 2018, the largest number of partnerships involved councils in Southeast England (117), followed by the East Midlands (85). By comparison, just 19 were reported in North East England. Also, in large urban areas they are uncommon.
- Partnering appears to be uncommon in Scotland and Wales. In Scotland, sharing usually focuses on individual services, including cooperation between councils, private firms and other public sector bodies and third sector organisations.

Some of the lessons learned are listed as:

- Retaining sovereignty of each council – keep politics to a minimum. Shared management must support both sets of staff, with a reflection of a shared approach and culture.
- Working with elected members – need to acknowledge that each council may differ in the way they do things.
- Developing new style of leadership – Chief execs encouraged to adopt shared leadership style. An adaptive style, which may be challenging when recruiting staff from councils that have little engagement in partnership function.

- Barriers to sharing include lack of willingness, fear of losing control over services, concern about reduced accountability to service users and taxpayers, lack of trust, staff impact, service quality.
- To support the sharing, ensure: good working relations between leaders/senior managers, trust extends to wider council and staff through informal briefings to create shared understanding, take managed risks, compromise
- Right partners: party politics/ organisational politics need to be overcome, otherwise choose participant council carefully.

### **Outsourcing**

Outsourcing in the public sector has evolved steadily during the past 30 years under governments of all political colours. In 2017, government spent £292bn (equivalent to more than one third of total public expenditure) on procuring goods, works and services from external suppliers – up from £112bn in 1987.

Outsourcing of public services by local and central government has delivered mixed results with the public sector no longer likely to save as much money from using private contractors as in previous decades.

An in depth study by the Institute for Government compared savings and improvements in quality across a range of services during the past 30 years. Each service is awarded a light – green, amber or red – depending on how successful outsourcing has been. While only one, probation, is judged an outright failure, the report warns that others have not always been as successful as first envisaged. This includes the collapse in 2018 of Carillion, which led to some construction contracts involving local authorities being terminated.

Outsourcing has generally worked best in support services that are relatively simple to contract for and deliver, such as waste collection, cleaning, and catering. Among the reasons it may fail are unrealistic pricing, unrealistic transfer of risk to contractors and weak management of contracts by councils or government departments. The report also warns of the danger of local and central government becoming too dependent on large suppliers or contractors where there is lack of competition from the private sector.

The success or failure of a service depends on management, funding, staff and other factors – regardless of whether a service is outsourced. But government departments and local authorities should understand where outsourcing works, what benefits it can deliver, and why different outsourcing projects succeed or fail.

## OUTSTANDING ENQUIRIES

### ***Questions that remain following our Challenge Panel***

As noted previously, due to the Covid-19 pandemic and the need to halt scrutiny and re-assess priorities, the work of this review remains incomplete. Detailed below are the question areas to which we would have further probed in a subsequent challenge panel session:

#### *For all case studies:*

- Memorandum of Understanding (MoU) or background document that underlies each arrangement – to help determine whether the arrangement is a shared service.
- Final savings achieved – to assess against the anticipated savings given to us in the members' briefing paper. Did they achieve overall budget savings or surplus? How is this reflected in the MTFS?
- Who carries the TUPE burden for all employees of the shared service
- Mechanisms for exiting arrangements

#### *For HB Law specifically:*

- Is HB Law a legal entity and a registered company in its own right? Examining the MoU that other councils enter into will identify whether it is a shared service or more a client/provider relationship.
- Savings/profits achieved since inception of arrangements.
- The exact process for the operation of the Legal shared service set up:
  - how authorities get billed and the role of HB Public Law in this
  - income from sold services to other entities - how much does this generate and how is this income shared or utilised?

#### *For Procurement specifically:*

- Financial outcome of closing the arrangements with Brent and how this was reflected in the MTFS.

#### *For Trading Standards specifically:*

- Income targets against the cost of the service and how this is reflected in the MTFS

We flag these up as a request that the Overview and Scrutiny Committee picks them up as and when it sees fit in the remainder of its work programme.

**RECOMMENDATION 3: that the outstanding information identified by the Review Group following the Challenge Panel is followed up by O&S as and when appropriate, and as scrutiny work programme and resources allow.**