

PAC SELECT COMMITTEE		
Title	Update on shared services	
Key Decision	No	Item No. 7
Ward	N/A	
Contributors	Barry Quirk Duncan Dewhurst	
Class	Part 1	Date: 07/07/15

1. Exclusion of press and public

1.1. Not applicable

2. Reasons for urgency and lateness

2.1. **Reason for urgency:** This report is being provided to allow the Public Accounts Select Committee to feed into the Council's overall strategy on shared services. The report reflects the latest position on shared services and it is important that the committee has this information at this stage in its cycle so that it can be considered alongside other, linked items on the agenda and to ensure that Members can feed into the overall strategy.

2.2. **Reason for lateness:** Awaiting key information from officers.

3. Summary

3.1. This paper looks at the high level case for sharing functions, management, assets, facilities and services with other London boroughs and other partners, the progress that Lewisham has made with this agenda to date and the options to consider for the future.

4. Purpose

4.1. To inform discussion of the approach to shared services at PAC.

5. Recommendations

5.1. This report is for information only.

6. Policy context

6.1. Lewisham's Sustainable Community Strategy 2008-2020 contains the shared priorities for the borough. It sets out a framework for improving the quality of life and life chances for all who live in the borough. This report sets out how sharing services can contribute towards Lewisham's overall strategy.

7. Background

- 7.1. The term “shared services” has become a catch-all phrase in local government. It started with Councils looking to sustain the effectiveness of their services at lower costs and is now connected loosely with the “fiscal devolution agenda” as evidenced in the devolution “deal” agreed for the Greater Manchester city region.
- 7.2. In London, the existence of the Greater London Authority (and its functional bodies - especially Transport for London) means that the underlying drivers for “combining authorities” does not apply with the same force. Indeed the legislation that enables “combined authorities” does not apply to London. However, it is still feasible for authorities to share their responsibility for securing services by establishing joint executive committees and combining their management arrangements in whole or in part. The “Tri-Borough” of Westminster, RB Kensington & Chelsea, and Hammersmith & Fulham have four years of experience in trying to lower costs by sharing services amongst the three boroughs. Wandsworth and Richmond are currently merging their entire management structure with a view to having a single advisory and delivery function by 2017.
- 7.3. There are a number of reasons why Councils share services with one another, in particular:
- economies of scale. These typically arise through the ability to share fixed costs (such as management overheads) and the ability to manage suppliers more effectively. Moreover, as Councils move to providing more digital services fixed costs as a share of total costs are tending to increase, with greater investment in IT systems displacing reduced call centre and face to face interactions;
 - as a means to improve service performance. Where a Council provides a better and cheaper service the other Council can realise significant benefits by adopting the same model and sharing capability;
 - to provide a better strategic fit with other partners. Where Councils work closely with other partners who straddle authority boundaries (e.g. social care and health integration or where there is joint working with the Metropolitan Police) it may make much more sense for activity to be coordinated between Councils. This issue is likely to become more important as central government looks to devolve more powers to authorities many of which may be best delivered in London on a sub-regional basis. For example the South London Partnership¹ is putting together a joint bid for devolved decision making powers with the funding to match around skills, infrastructure and housing;
 - greater resilience. The smaller Councils become the more they lose their professional and management resilience in respect of expert professional advice and delivery. For their size London Boroughs (as “unitary Councils”) provide a very wide range of different services many of which now have a number of single points of failure – key people or assets which the service is entirely dependent on; and
 - the ability to coordinate better across related client groups / geographical areas. For example the joint work Lewisham, Southwark, Greenwich, Bromley and Lambeth have carried out in respect of families that have “No Recourse to Public Funds” suggests that unless the same actions are taken across all boroughs needs may not be met properly and costs may increase for all authorities.
- 7.4. Sharing services can also have drawbacks:

¹ Bromley, Croydon, Richmond, Kingston, Merton, Sutton and Wandsworth

- without a shared vision and buy-in shared services are unlikely to deliver planned savings and benefits;
 - sharing inevitably involves less local flexibility and less local control;
 - sharing can entail significant upfront costs (e.g. redundancy) - equally exiting from any arrangements can be costly.
- 7.5. Nevertheless recent research by the LGA concluded that “clear financial benefits can be made from sharing services”² and that “shared service arrangements have succeeded in providing the same or better levels of performance at less cost”.

Progress to date

- 7.6. To date Lewisham has adopted a tactically opportunistic approach to sharing and has either put in place (or is putting place) shared services in a number of areas:
- a shared IT infrastructure support service with Brent subject to approval from Mayor and Cabinet in the autumn. This is likely to save £0.5m p.a. for Lewisham from 16-17 onwards;
 - a shared team with Southwark and Lambeth running the pilot of universal services delivered locally;
 - a shared systems support team as part of the One Oracle project (which involves 7 boroughs³); and
 - a shared Better Place initiative with Southwark and Lambeth.
- 7.7. As well as formal shared services Lewisham works closely with other boroughs and partners on a wider range of other issues including joints commissioning, joint project work and other informal cooperation in a range of areas as diverse as culture to homelessness.

What are other Councils doing?

- 7.8. A large number of Councils are now sharing services⁴. Typically Councils have focused on sharing ‘back office’ services with neighbouring Councils or other partners. Some of these have involved a large number of partners. For example in Hampshire County Council established a shared service to provide IT network services to over 800 public sector bodies within Hampshire (including schools, district authorities, the fire authority and the police authority). Other partnerships involve fewer Councils but have shared a wider range of ‘back office’ services. For example the London Boroughs of Newham and Havering have put in a place a shared service (oneSource) covering a wide range of ‘back office’ services.
- 7.9. A number of Councils are now going beyond ‘back office’ sharing and are putting in place strategic partnerships with the aim of sharing a wider range of services.
- 7.10. Councils have taken different approaches to establishing these partnerships. For example the ‘Tri-Borough’ took a top down approach, putting in place a single senior

² http://www.local.gov.uk/c/document_library/get_file?uuid=251f1b46-319f-4bf3-94f4-69d5dbb4551a&groupId=10180

³ Lewisham, Lambeth, Brent, Croydon, Barking and Dagenham, Newham, and Havering.

⁴ <http://www.local.gov.uk/shared-services-map>

management team followed by service integration⁵. Richmond and Wandsworth have just announced their intention to take a similar approach⁶.

- 7.11. Other Councils have taken a different approach – building strategic partnerships over time by sharing an increasing number of services. In some cases this has been informal in other areas Councils have spelled out their intention to do this up front. For example Gloucester City Council and Gloucestershire County Council have recently signed a MoU which commits them to looking to share all back office services and a wide range of ‘frontline’ services⁷ with only a single shared management post to start with.

Which services to share and who to share with?

- 7.12. A service-led approach would allow us to focus on those areas where:

- both Councils have a common vision for what type of service should be delivered in the future;
- both Councils have a common vision about how the service should be delivered in the future e.g. through in-house provision, commissioning etc;
- the economies of scale are likely to outweigh the benefits of greater autonomy and local discretion; and
- there is alignment with other strategic partners (e.g. in the health sectors).

- 7.13. When sharing ‘frontline’ services there is a stronger logic for doing so over a geographically contiguous area, which would point towards sharing services with neighbouring boroughs. In some areas it is likely that sharing will need to involve a number of Councils – for example given that the 6 south east London CCGs are moving towards integration it would be natural to cooperate on social care issues at this level. In other areas it may make more sense to share services with just one other borough, making it much easier to align cultures, business processes and systems.

- 7.14. Back office services typically do not need to be delivered in geographically contiguous areas. As such there is a stronger case for sharing IT and transactional services with a wider range of authorities across London.

- 7.15. Whilst London boroughs are unique and have different needs and demographics, it may also be the case that there could be scope for some services to be run on a pan London level from the Greater London Authority (GLA), and as such we will contribute to and influence the ongoing debate around devolution.

- 7.16. Based on this analysis work is already underway to look at the potential for greater sharing in a number of areas:

- adult social care, where wider changes to health service provision in south east London are likely to initiate new ways of working together across borough boundaries. This will involve significant change and planning, and could involve two, three or a larger number of boroughs;

⁵ http://www.lbhf.gov.uk/Images/LBHF_Critical%20Friends%20Board_Tri-Borough%20Review_27Oct_tcm21-191575.pdf

⁶ <http://www.lgcplus.com/news/wandsworth-and-richmond-staff-merger-plans-move-ahead/5087322.article>

⁷ <http://democracy.gloucester.gov.uk/documents/s32870/Partnership%20Working%20with%20Glos%20County%20Council%20report%20Appendix%202%20.pdf>

- back office areas such as IT. The shared IT infrastructure service with Brent will save the Council around £0.5m in 16-17 onwards but more importantly will also greatly improve the way our internal IT systems work whilst laying the ground work for our transition to becoming a truly digital council. More widely officers are also examining the options for building on the work of the One Oracle partnership; and
- developing a joint offer and service on work and skills with Southwark and Lambeth ready for any potential London devolution deal.

8. Financial implications

No financial implications.

9. Legal implications

No legal implications.

10. Crime and disorder implications

No crime and disorder implications.

11. Equalities implications

No equalities implications.

12. Environmental implications

No environmental implications.

13. Conclusion

- 13.1. Given the funding challenges Lewisham is facing, it will be important to look at sharing a much wider range of services with other boroughs. To that end work is already underway to look at sharing a number of functions, assets, facilities and specific services with other boroughs. This is being given added impetus within London by the drive to encourage more hard-edged sub-regional groupings of London Boroughs focused on a range of London's public policy problems - health and social care integration; economic growth, employability and skills; and key features of welfare and public service reform.