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Clyde Valley Shared Services:

Full Business Case

UNISON Scotland

BARGAINING BRIEFING

Introduction

The proposal to share support services between seven Clyde Valley Councils claims to be a 'challenging and innovative' approach that will achieve savings of £30m per annum. It is certainly challenging, but outdated rather than innovative. UNISON Scotland is not opposed to shared services in principle. However, we believe the full business cases for this proposal is seriously flawed. It is the wrong approach to service design, comes with huge risks in return for limited savings that are unlikely to be realised.

Service Design

- Sir John Arbuthnott's original report said that the focus for shared services should not be on the 'back office' functions. Yet this is the major implementation proposal.
- The case is largely based on economies of scale. But bigger is not always better because there is an optimum size for services. That's one of the reasons this scale of shared services has not been tried elsewhere.
- Services on this scale are very complex leaving significant scope for things to go wrong. Large scale IT projects have a poor delivery record in the public and private sector.
- This is a top down 'one size fits all' solution for very different council areas. The latest thinking in this field is represented by systems thinking that rejects front office/back office splits because they lead to high costs and poor service. In real case studies they show that as much as 80% of transactions in this type of model relate to failure demand.
- The best approach is to design systems from the service user upwards. This ensures that when someone turns up for a service they are met by someone who can help them through it. In this shared service proposal they are more likely to be passed around call centres getting frustrated and costing the taxpayer £millions. The Christie Commission is the latest to commend the systems thinking approach.
- In contrast there are no examples of the Clyde Valley proposal delivering real services successfully. Those projects that have been running for some time are discovering that they have not delivered what was promised.

Financial Savings?

- There is very little evidence to support the sweeping financial assumptions in this proposal. There is only a limited sensitivity analysis and many numbers look suspiciously rounded. Savings are based on current delivery models, not the systems that will be adopted in this massive shared services operation.
- It requires significant up front investment by councils who are already stretched financially. In return for dubious promises of savings that don't even match National Audit Office expectations for shared services.

KEY POINTS:

- **This is an outdated approach to service delivery, specifically rejected by the Christie Commission.**
- **There are huge service delivery risks.**
- **Councils have to provide up front investment for modest savings based on dubious assumptions.**
- **There has been no consultation with the public or the workforce.**
- **Councils will be dependent on this 'company' for key services and information.**
- **It will damage local jobs and the economy.**

bargaining & campaigns team

Contact UNISON's Bargaining & Campaigns team:

Dave Watson
d.watson@unison.co.uk

0141 342 2811
0845 355 0845

- Clyde Valley Councils have already made significant savings in these areas and more are planned.
- Estimates for systems and infrastructure look hopelessly optimistic as do redundancy costs. Given recent staffing reductions, the assumption that 75% of displaced staff can be lost without redundancy payments looks reckless. Clyde Valley Councils currently operate a range of different software and service delivery models that will be expensive to harmonise. All to be achieved in record time. Similar exercises across the UK have taken many years to develop.
- Experience of this approach, particularly 'self service', is that the claimed savings are simply displaced to operational staff, further damaging service delivery. In any case, these systems can be introduced at council level without a massive shared services operation.
- At least another £1.7m is to be spent on external consultants in the next stage.
- The proposed trading company model also exposes councils to the extra costs of VAT and Corporation Tax that could be avoided if councils operated these services in-house.

Delivery model

- The claimed benefits of the proposed trading company model are exaggerated in a highly subjective analysis. The relative benefits of a joint board are played down despite the strong track record of this model in Scotland and the UK. Possible Scottish Government resistance appears to be the main argument, but their view has not been sought.
- The proposal is based on a 'thin client' model that leaves individual councils with a minimal in-house capability. This is designed to make councils entirely reliant on the new company, with no real capacity to monitor and hold the new structure to account, or to escape if it all goes wrong. This is what went wrong with the notorious Liverpool experiment.
- The transactional charging regime will be hugely bureaucratic and experience shows that it will lead to additional unplanned costs.
- This model exposes councils to public procurement exercises with only the precarious 'Teckal' defence. We suspect this is deliberately designed to facilitate further private sector involvement with the consequent lost of jobs and resources from the Clyde Valley.

Workforce

- This is one of the worst examples of workforce engagement ever seen in Scotland. A proposal developed in darkened rooms without any meaningful staff or TU engagement. In this context the business plan's commitment to workforce engagement is seen as hollow.
- Statutory duties such as equality impact, environment, climate change and data security have been given, at best, cursory attention. These should all be completed before decisions are made, not afterwards. Service users are also entitled to consultation.
- The obvious range of staffing issue like staff transfer, pensions, terms and conditions are also given only passing recognition. As are the costs of harmonisation and equal pay.
- The plan is vague about locations, referring vaguely to a distributed model. This does not address the impact of the plan on jobs and local economies.

Conclusion

Clyde Valley Councils are being asked to make a high risk decision based on a business plan that can only be described as sketchy. They will be committing their councils to an outdated business model with no escape route or capacity to maintain their own democratic accountability. All in return for modest savings that are difficult to evidence. It is simply the wrong approach, at the wrong time, with huge risks for limited returns.

Further info

Briefing on CVSS outline business case

http://www.unison-scotland.org.uk/briefings/b006_BargainingBrief_ClydeValleySharedServices_June2011.pdf

Shared services bargaining brief which contains links to UNISON's bargaining and negotiators guidance

http://www.unison-scotland.org.uk/briefings/100611Bargainingbriefingsharedservices.pdf

Private sector failures are detailed in the quarterly Revitalise newsletter

http://www.unison-scotland.org.uk/revitalise/index.html

The Liverpool experience:

http://www.unison.org.uk/activists/pages_view.asp?did=12082

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