

# Shared services in the public sector

### Introduction

Shared services have been around for some time in both the private and the public sector. They usually involve HR, payroll and communications for large organisations are handled via a central body. They have been promoted by many, including the companies who sell the IT products needed to make it work, as a route to substantial savings in the public sector. Sadly, shared services have a mixed record, the promised savings are rarely realised. They will not be able to provide the solution to the budget cuts facing public services now.

### Context

Scotland's public services face many challenges in the coming years. Public finances face at least four years of cuts as part of an ideological attack on the role of public services by the UK coalition government. These challenges are huge and are seen by those who have always disparaged the Scottish public service model as an opportunity to promote their market-orientated solutions. It is clear that conventional shared services cannot make savings to meet these challenges and so, throughout the public sector, managers are looking at a range of joint working initiatives across a range of services. This includes direct services to the public. Examples include: The NHS Board and council in Highlands are finalising plans to use a Lead Agency Model for social care and children's services and the Clyde Valley Review, where eight councils are examining final business cases for sharing property services, waste management, health and social care, social transport and fleet maintenance, shared support services, common charging and developing a joint economic strategy.

### UNISON Approach

UNISON Scotland recognises that all public sector organisations should take up opportunities to work more efficiently and effectively. We believe that improved cooperation between public service is essential, but this does not require setting up vast call centres or bringing in the private sector. Sadly these are pushed by private consultants as a way to improve services and save money. They are in fact extremely costly and have high upfront costs. The investment ratio is 2:1. Often costs are pushed to another department. The National Audit Office report indicates that, so far, projects have taken five years to break even. **Learning from Australian experience:**

- Initial costs of shared services are underestimated because implicit costs and externalities are often not included.
- Introduction of shared services is complex and costly and requires detailed research.
- While some cost savings can be achieved, targets are rarely met.
- Savings are mainly from job losses.
- There are job losses in regional areas which affect the viability of rural communities

A typical problem has been the underestimation of the costs of this type of project. For example: Bromsgrove District Council and Redditch Borough Council decided to start sharing management functions in June 2008. The promised savings figure that prompted the move was substantially reduced as soon as implementation began and the costs involved began to mount up. So far £250,000 has been saved per council through sharing the management team but this is **net** of the £1million it cost in redundancy payments and equalising the pay and conditions across the two councils. It cost £100,000 to upgrade and make compatible the IT systems.

### KEY POINTS:

- **Plans are at an advanced stage. Employers will be moving quickly to implement them**
- **Shared services have rarely delivered savings and, where it has happened, it's through job losses**
- **Branches need to make sure they are involved in the discussions that are currently taking place in their areas.**



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Blame is often thrown at the staff themselves for unwillingness to work across organisational boundaries. The reality is that public service delivery is complex and one size fits all solutions do not work. **Systems Thinking** which fully involves local staff in finding solutions has delivered real savings, for example, GHA substantially reduced rent arrears and re-let time so boosted income. See link in further information for examples.

### Action for branches

Public service cuts mean that there is a great deal of pressure on politicians to be seen to act. June will see a range of plans announced. Despite the clear evidence of problems with many of the plans being developed employers will push ahead. Many are at an advanced stage including the Clyde Valley Review which is expected to move to the implementation stage very soon. Branches need to make sure they know what is being proposed in their areas and feed that back to their ROs and the Bargaining and Campaigns team so that we can co-ordinate our work to protect members and services.

### Getting organised

There is a range of UNISON materials to support branches to run local campaigns, gather information and negotiate for members. There are links in the **further information** section to a range of guides on negotiating on procurement, shared services and privatisation. The business case for these plans needs to be thoroughly tested.

- Who are the partner bodies?
- What, if any, private sector companies are involved?
- Could it open up services to tendering through EU procurement legislation?
- How much are the cost savings being proposed? (are they realistic?)
- Will costs just be displaced?
- How many jobs will be lost?
- How many staff will be transferred and where to?
- Has an Equality Impact Assessment been carried out?
- Has this type of plan been implemented anywhere else, was it successful?

UNISON's guide 'The Case for In-house Services' is a useful tool [http://www.unison.org.uk/activists/procurement/docs\\_list.asp](http://www.unison.org.uk/activists/procurement/docs_list.asp). Branches can also use examples such as those on the Systems Thinking site to demonstrate that there is an alternative. There are more briefings and a campaign pack on the UNISON Scotland website. There is no doubt that this will mean a lot of work for branches, but well organised branches have been very successful in fighting cuts and protecting jobs and services.

### Negotiating

While branches will be running campaigns against cuts they will also be negotiating with employers. There are a range of legal protections and government guidance in place for workers during reorganisation and redundancy. Branches must ensure that they are fully informed in order to advise members of their rights and to negotiate with employers. Key areas are TUPE, redundancy and Equality Impact Assessments. There are training course available for new stewards or those who want to brush up on their knowledge and skills. Key papers: UNISON guide to negotiating on shared services: <http://www.unison.org.uk/file/Shared%20Services%20Branch%20Guidance%20008%20-%20Final.pdf> The narrow range of the Teckel exemption means that sharing service provision can lead to tendering and privatisation so it is essential to ensure that employers follow the Scottish Government Section 52 procurement guidance see: <http://www.unison-scotland.org.uk/briefings/s52%20guidance.pdf>

### Informing members

Members must be fully informed about proposals and the impact on their jobs. Don't limit communication to members though. This will be an excellent recruitment opportunity. Joint working with other unions will also help us get our message out to as many people as possible. Employers will be putting out their case to all staff, we must do the same.

## Further Information

### Resources for negotiators

<http://www.unison-scotland.org.uk/goinggetstough/index.html>

### Stop the Cuts campaign toolkit

<http://www.unison-scotland.org.uk/publicworks/stopthecutstoolkit.html>

### Revitalise bulletins detailing a range of articles on shared services in the public sector over the last 4 years:

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

### Improving Corporate Functions Using Shared Services National Audit Office (UK). November 2007

[http://www.nao.org.uk/publications/0708/improving\\_corporate\\_functions.aspx](http://www.nao.org.uk/publications/0708/improving_corporate_functions.aspx)

### Shared Services in Britain Dexter Whitfield, European Services Strategy Unit June 2007

<http://www.european-services-strategy.org.uk/>

### Briefing on Arbutnott

<http://www.unison-scotland.org.uk/briefings/217Arbutnottsharedservices.pdf>

### Real examples of improvement

Systems thinking in the public sector: <http://www.systemsthinking.co.uk/9-2.asp>



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