



**New Ways of Delivering Services**

**Response to the Call for Written  
Evidence from the Scottish  
Parliament Local Government and  
Regeneration Committee**

**The UNISON Scotland Submission to the Scottish Parliament's Local  
Government and Regeneration Committee**

**January 2013**

## Introduction

UNISON is Scotland's largest public sector trade union representing over 160,000 members delivering services across Scotland. UNISON members deliver a wide range of services in the public, community and private sector. UNISON is the largest union in local government. Members are also tax payers and service users and are ideally placed to provide evidence to inform the committee during its scrutiny of public sector reform. High quality public services are central to Scotland's economy and the quality of life for our citizens. Scotland has begun to develop a public service model specific to the needs of a relatively small country suiting our culture, geography and ideology. We must continue to develop this model by internationalising our outlook, seeking best practice from other small countries. UNISON Scotland welcomes the opportunity to submit evidence to the Local Government and Regeneration Committee.

## Shared Services

Much of the debate about public sector reform local government in recent years has focused on boundaries and structures and a search for one size fits all solutions. Despite frequent media comment that Scotland is "over-governed" we have the smallest number of councils and councillors per head of population in Europe. The Christie Commission recommended a bottom up approach to reform. Instead, the planned options are the same tired old solutions: privatisation, shared services and increased centralisation of services. Public services are facing massive cuts and the focus is no longer on driving improvement but instead on where and what to cut. We believe that the route forward must be decided in communities through informed consultation with users and staff rather than driven by consultants selling off the shelf solutions.

UNISON Scotland recognises that all public sector organisations should be aware of opportunities to work more efficiently and effectively. UNISON believes that improved cooperation between public service is essential, but this does not require setting up vast public service factories or bringing in the private sector. Sadly shared services are frequently 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 UK National Audit Office report indicates that so far projects have taken five years to break even. The government of Western Australia has abandoned their shared services project, first highlighted in the Scottish Government's initial report as a successful shared services project that Scotland could learn from. The government reversed changes due to the high costs, extensive delays and the system's inability to deliver as promised. We should indeed learn from this project: shared services are not providing the answer to modernising public services. Even on the rare occasions where they have been successful the time scale required to rake back the up-front costs mean they could provide no quick fix to the current crisis.

There is clear evidence that conventional shared services is a high risk strategy for local government in Scotland. Shared services won't deliver the savings needed to meet the budget cuts because of:

- High up front costs
- Length of time to achieve savings if they materialise (approx 5 years)
- Technology fails to deliver what's promised
- Costs and work often pushed onto other departments
- Large numbers of mistakes
- Loss of control and operational accountability
- Reduction in democratic accountability

Most recently the Times Educational Supplement reported on the UK research council's Shared Services Centre's problems. The centre, set up to deliver HR finance IT and grant allocations for all the research councils services, is significantly below the expected standard. Bill payments have been particularly problematic resulting in a courier refusing to deliver priceless Moon rocks from NASA and

bailiffs attempting to claim property from the Centre for Ecology and Hydrology. The new report by the National Audit Office<sup>1</sup> found that the plan to save £159m actually cost £1.4billion.

Following the Gershon Review eight major shared service centres emerged in central government between 2004 and 2011. The new Government then introduced its vision with a plan for two cross government centres and a small number of stand-alone centres. The Audit office has been investigating whether these plans are delivering value for money. The findings make grim reading:

- The five centres were expected to cost £0.9billion they actually cost £1.4billion
- The £159million in promised have not materialised: Only once centre has broken even and two have a net cost of £255million

Much of the discussion around the reasons for the high costs is that the systems are too complex and “overly tailored to meet customer needs”. What this seems to mean is that in order to make any savings the system needs to be one size fits all; that the “customers” need to standardise and simplify their systems. This is the commercial market driving the solution rather than meeting the citizen’s expectations of modern public services tailored to users’ needs. They conclude that shared services “have not so far delivered value for money for the tax payer.”

Shared services usually seek to separate and deride the role of so-called back office functions. Many claimed savings from back office reductions simply displace costs onto front line services. These leave front line staff to perform administrative tasks that they are not well equipped to do and distract them from their main roles. A recent example of this has been police staffs being made redundant, and more expensive and unqualified police officers being backfilled into their posts. UNISON commission research by APSE, *The Front Line Starts Here*<sup>2</sup> found that rather than improving services shared service type arrangement just displace work onto remaining staff. A staff survey showed:

- 7% reported admin staff support had been reduced.
- 92% using self service systems felt that this had added to their workload at the expense of their primary tasks.
- 84% doing clerical tasks that used to be done by admin staff
  - 26% said up to 2 hours per week
  - 24% said between 2-4 hours per week
  - 37% said between 4-7 hours per week
  - 13% said more than one day per week
- 94% more effective to provide admin support in the same office than to centralise in back office operations.

## **Designing services from the bottom up**

UNISON believes that a better way of delivering public services is to involve staff and users in designing services from the bottom up, using approaches like Systems Thinking, rather than top down shared service models. This approach was suggested by the Christie Commission:

“4.47 Engaging staff in the design of services is reflected in the concept of systems thinking. In this approach service providers study demand to find out what works for users. Systems are designed against that demand and improvements achieved by managing demand and flow. The cost of a service is in flow, not transaction. Failure demand represents poorly designed flow which organisations can control. Studies show that as much as 80 per cent of transactions handled in traditional call centres relate to failure demand.”

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<sup>1</sup> [http://www.nao.org.uk/publications/1012/shared\\_service\\_centres.aspx](http://www.nao.org.uk/publications/1012/shared_service_centres.aspx)

<sup>2</sup> [http://www.unison-scotland.org.uk/publicworks/thefrontlinestartshere\\_mar2012.pdf](http://www.unison-scotland.org.uk/publicworks/thefrontlinestartshere_mar2012.pdf)

UNISON believes that the best way to improve public services is to involve both users and staff in defining both the problem and the solution. IPPR have recently published a set of discussion papers round the concept of a Relational State<sup>3</sup>, where the focus is on enabling citizens to solve their own problems. This means listening to service users about what they want and empowering staff to respond. This requires much more autonomy for public sector workers so that they can respond quickly to the demands of citizens rather than working to top down targets. There is a growing body of evidence that shows how real improvements can be made through this type of process. Research has also found that there is a clear link between employee engagement and customer satisfaction in local government. UNISON has collated the following examples of initiatives to support improvement in services. 1. **“Small is Beautiful: Innovation from the frontline of local government”** by the Local Government Information Unit (LGIU) gives an overview of ten local projects which have improved services and provided real benefits to their communities. It draws together the lessons learnt in order to help others improve. The project looked at hundreds of examples of how small programmes on low budgets made a “decisive difference to their local area”. The projects cover a range of issues for example anti social behaviour, social cohesion, using new technology to improve ways of working and tackling consumer scams. There is a great deal of pressure on local government budgets and management consultants are selling top down initiatives and large scale shared services as the answer. The LGIU has established that the key factors which allowed innovation (and therefore improvement) to flourish were: they were not top down initiatives, they were small, they had limited but crucial amounts of funding, they had a focused team to lead them and were given time to develop. The report can be downloaded from <https://member.lgiu.org.uk/whatwedo/Publications/>

2. Out-sourcing and privatisation are constantly pushed as the way to improve public services. The long history of outsourcing in the UK shows that this is driven by ideology. There is a catalogue of failures and waste. APSE, in **Insourcing a guide to bringing local authority services back in house**, identifies 9 key benefits from in house delivery: improved performance and governance; cost efficiency, community wellbeing and satisfaction, local economy; flexibility and added value; service integration; employment considerations; quality of service and sustainability. UNISON has published a guide for branches which gives many examples of improvement and or savings through delivering services in-house. The UNISON guide to The Case for In-house Services is available from: <http://www.unison.org.uk/file/The%20case%20for%20in-house%20services%20-%20a%20branch%20guide.pdf>

A recent special report in the economist (19<sup>th</sup>-25<sup>th</sup> January 2013) on outsourcing looked at why big companies like General Electric, Google and Caterpillar are moving jobs back in-house. Consultants like KPMG and McKinsey are reporting “in-shoring” as the new business trend. Despite the promises made by “big shed” service providers outsourcing has not delivered savings or the efficiencies promised. The Economist reports that managers are saying that: *“it has become increasingly clear that outside firms usually cannot do boring back-office work any better and often do it worse.”*

Data management is becoming increasingly important to organisations so having this handled externally particularly if its abroad is proving to be very risky. Managers found that external providers could no longer respond quickly enough to changing needs of a business. They work to the services level agreements: “outsourcing partners are concerned with their profits not yours”.

As UNISON has stated in many of its submissions, so called backroom work is complex and strategic and needs to be in-house so that the people undertaking both understand the overall aims of the organisation and can respond quickly to changing demands of customers or citizens. Managers want to be able to be in regular contact with such crucial business information and so have ended up creating shadow systems to keep on top of their needs. Business needs to innovate and outsourced patterns don't do that for you. Public service reform needs to learn from the failures of these big shed solutions. Rising costs and logistical difficulties of long distance transport and improved wages in India and China have also reduced the savings made in labour costs which means the downsides of outsourcing are not offset by cheaper costs.

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<sup>3</sup> <http://www.ippr.org/publication/55/9888/the-relational-state-how-recognising-the-importance-of-human-relationships-could-revolutionise-the-role-of-the-state>

3. Systems Thinking. There many examples of how listening to services users and staff leads to improved services and costs savings: **Delivering public services that work: Systems Thinking in the public sector volume 1: ed Peter Middleton and Systems Thinking in the Public Sector by John Sneddon** give a range of examples.

A Scottish case study is of Glasgow Housing Association. By looking differently at the system and listening to those staff that actually do the work the system has been redesigned. Rent arrears have been reduced to £7.99m, end to end re-let time has been reduced by 13 days. *Systems Thinking* gives many other examples of how the top down approach has failed in housing benefits, trading standards, police and elsewhere. How public service factories, like shared services, simply generate what they call failure demand rather than value demand. In other words we pay for transactions that deal with the failure of the system to deal with the service users problem first time. This points to a new public service model where staff locally are able to map the essential processes that resolve service users demands and devise appropriate delivery models. Best practice can be shared, but not imposed using targets. If we designed away failure demand and removed the targets culture the cost savings could be significant.

4. IT redesign in Newcastle. When Newcastle council wanted to outsource its back office IT services the UNISON branch was fully involved in the process. They wanted to improve services and make savings. UNISON strategy outlined in the book “**Public Services Reform But Not As We Know It**” **By Hilary Wainwright and Matthew Little**, shows how effective it is to involve staff and users in service design. The council has improved delivery and made savings through new technology. The strategy is based on a public benefit model rather than private profit. If the IT services had been privatised money would have been lost as profit to businesses instead all savings were re-allocated to social care services. Changing the way people work is challenging. The collaborative democratic approach meant staff being given the power to look at how work was done and to design new approaches across departments. There was a commitment to avoid compulsory redundancies meaning staff felt confident participating in the process. Newcastle achieved savings of £28m million. (See <http://clients.squareeye.com/uploads/compass/documents/PublicServiceReformWainwright.pdf>)

5. Research by ORC International has also found that there is a clear link between employee engagement and customer satisfaction in local government. The report: **Linking employee and Customer data – A new way forward for local government?** found that there are clear links particularly when employees feel they are

- Treated with fairness
- Aware of organisations’ long term goals
- Proud to be working for the organisation
- Clear about what is expected of them in their job
- Clear that the organisation is committed to customer care

6. A petition by Gordon Hall (PE1423), on behalf of The Unreasonable Learners, called on the Scottish Parliament “to urge the Scottish Government to review the considerable research into the thinking that underpins the approach to managing the contribution from staff that has been undertaken over the past decades and compare this with the assumptions that underpin existing management practice; and subsequently to use the findings to ensure that it harnesses the talent of its staff.”

In short, they argued in a booklet to MSP’s that there is a “inordinate waste in our public sector”, caused by the “command and control” culture, i.e. “our society believes we need leaders to provide direction and they should then be supported by scrutiny methods to ensure we comply.” However, they state that there has been extensive research over the past decades that is “pushing us toward structures that are based on—

- A belief in people;
- The need to understand and re-design the complex systems that characterise our society;
- A recognition that the driving force for progress will not come from central direction but from innovative people at the workplace.”

UNISON believes that there is considerable merit in this approach, but it requires a significant management culture change.

## **Staffing Framework**

A real sharing of services and cross service collaboration as suggested by the Christie Commission requires a very different approach to public service reform. Good job redesign requires staff not only to feel engaged, but to operate within a framework that supports this approach.

Workforce issues are generally given very little consideration in public service reform initiatives. Consultation papers and legislation frequently give the impression that the workforce is an afterthought. Given that most public services rely on people not machines, this is an extraordinary omission. When it comes to implementation, organisations and trade unions constantly reinvent the wheel when developing solutions. If the Scottish Government is serious about creating the conditions for improvement and progress with workforce development as one of its pillars of service reform then a broad staffing framework is required. A forum needs to be found to address these issues. In addition to a workforce vision the issues that need to be addressed in such a framework include:

**Training and development:** The Christie Commission recommended changes to the training and development of public service staff to support a different approach to public service delivery. Current approaches all too often reflect a top down view of service change with outdated heroic leadership approaches entirely unsuited for the Scottish model. The staffing framework could promote common modules at all levels of staff development.

**Staff transfer:** There is an urgent need for a legislative framework for staff transfer. Statutory reorganisations are not treated in a consistent manner in legislation. Local reorganisations operate without consistent guidance leaving management and unions to reinvent best practice in a complex legal context. A legislative framework should include a standard staff transfer order that covers the essential TUPE+ issues.

**Pensions:** While the public sector transfer club operates for individuals, large scale staff transfer requires regulations for block transfers. The NHS and LGPS pension schemes in Scotland have many different elements and while service is protected on a year for year basis other factors may be important to individual staff. Again a consistent approach is required.

**Secondment:** Not all reorganisations require the permanent transfer of staff. A short term transfer may be a more flexible option. This approach has also been used in circumstances involving a non public sector provider. There are also some complex legal issues with secondments following the Celtec judgement. A secondment framework for temporary or short term transfers would again ensure some consistency and guidance.

**Staff employed by different employers:** If there is to be effective cross boundary working this will include working arrangements where staff from different employers work together. In addition a worker can be managed by someone from a separate employer on different terms and conditions. Joint Future is a good example of this as it develops into health and care integration. There have been problems with different procedures such as discipline, grievance, training and development review. Professional boundaries, ethics and codes of conduct can also be an issue. Recent legal decisions (Weeks) have highlighted employer responsibilities in these circumstances. Some agreed national protocols to cover these issues would be helpful.

**Procurement:** There is little consistency in approaches to public service reform that involve procurement. The Two-Tier workforce provisions including the PPP Protocol and s52 have been under review for years with no real progress. Existing provisions are not well understood and certainly not consistently applied. A common procurement framework agreement would assist everyone involved in organisational change.

**Equality duties:** Organisational change almost always requires an equality impact assessment. Our experience is that this process is often not understood and inadequately implemented.

**Governance:** Different governance arrangements can be complex and confusing. This also applies to the governance of workforce issues. Christie therefore recommended the development of “an appropriate set of common powers and duties”. We believe there should be a single statutory staff governance framework.

**One public service:** Christie also identified a destination for reform of local partnership working that all public service organisations see themselves as part of a common framework for public services in an area. The report suggested that this could lead to collective public identity and branding (e.g. Public Services South Lanarkshire). The current arrangements do not address issues like staff moving voluntarily between employers. We believe the time has come to develop the one public service concept from a workforce perspective.

**Conclusion**The Christie Commission rightly identified the importance of evidence based approaches to public service reform. In this evidence, we have set out real examples of what works and what doesn't. They are based on our members' deep knowledge of public services in Scotland and elsewhere. Our members will be there delivering services long after the consultants selling the latest fad have moved on to move profitable pastures.

We also outline the importance of developing a framework that actively promotes culture change and supports new ways of working in a way that gives staff confidence to engage meaningfully in the process.

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