Shared Services

- Not the route to savings

UNISON Scotland believes that all public sector organisations should make the most of opportunities to work more efficiently and effectively. The public sector has been set a target of 2% for efficiency savings and a great deal of emphasis is being given to shared services as the best route to make savings.

The Hard Sell

UNISON has always supported partnership working in the public sector but the literature on shared services is dominated by companies who are selling a 'new' product or by government departments tasked with delivering the services. Practical problems are therefore glossed over in favour of often theoretical savings. Hard evidence of big savings is more limited. When shared services are being implemented the wider costs are rarely mentioned. In particular the complexity of large scale computer systems and the displacement of workload and tasks are often forgotten. UNISON and other trade unions' private sector experiences with shared services have often been negative.

Supporters of shared services promise massive savings; but there is little detail on how exactly their figures are arrived at. The previous executive consultation paper suggested only 67% of claimed savings are realised and even this might be optimistic. Savings also take a great deal of time to come through. The consultation paper stated that past experience showed an investment ratio of 2:1 — an initial investment of £60m is needed to save £30m.The UK National Audit Office report indicates that so far projects have taken five years to break even.

Shared services will not be the route to achieving the targeted 2% efficiency savings in the life of this parliament.

Australia-success story?

Australia has been highlighted as a shared services success but these claims were based on potential not actual savings. Western Australia's

implementation of shared services has been heavily criticised in a report by their own Auditor General. The programme is two years behind schedule and likely to be millions over budget- $A20 million over budget in 2008/9.

The Australian experience of shared services is also one of increased centralisation. In South Australia alone almost 3000 staff will be affected by the proposals. This has raised concerns not only from union members but from other members of rural communities worried about the viability of businesses and services if many people lose their jobs or relocate. Recent research also highlights the following key lessons from the 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

Increased cost of VAT

In the UK there is also potential extra cost if new bodies are not given the exemption from VAT currently available to local government (Section 33 status). A number of bodies are already encountering problems. While discussions are now ongoing with Revenue and Customs (HMRC) it is believed that NDPBs have not in general been granted this exemption and there is no expectation that this will change. The Serious and Organised Crime Agency has already been turned down, and the new Scottish Police Services Agency currently does not have the VAT exemption that individual police services have. Other Scottish bodies facing VAT problems include Scottish Enterprise and the new private trust—Glasgow Culture and Sport .

Centralisation, cuts and privatisation

UNISON supports improved efficiency and value for money in public service delivery and was one of the first to suggest Public Service Networks to improve service delivery. However we have concerns over shared services that lead to increased centralisation, job losses, decreased access to services for the public and the loss of democratic accountability. There is also a concern that shared services could open the door for increased privatisation of public service. This is something that UNISON and the Scottish public constantly oppose.

Risk to personal service

Economies of scale may mean bigger authorities providing services for smaller ones-further increasing centralisation of service delivery. This leads to less personal service both for users and for the staff. Disadvantaged groups in particular lose out when services are delivered remotely. Public bodies cannot opt out of dealing with disadvantaged service users who often need time and personal contact to assist them to access the services they need.

Partnership working offers Scottish public services many opportunities to improve delivery and save money. In order to this there needs to be a proper strategy. Currently there is a mishmash of initiatives, pathfinders and proposals with no coordination. Money and time is being poured into shared services plans based on over optimistic planned savings. What is needed is a more realistic approach.

Shared services need a properly coordinated long term strategy in Scotland. They are not the route to short term savings. The strategy should be developed in genuine consultation with staff and communities. The impact of job losses and relocation and the impact on communities needs to be understood before any strategy is implemented. There needs to be ongoing consultation and negotiation with staff and their representatives throughout the planning and introduction of any changes.

Shared services—not the route to savings

UNISON Scotland believes that all public sector organisations should make the most of opportunities to work more efficiently and effectively. Any strategy would benefit greatly from full consultation and negotiation with staff who have an excellent understanding of what changes are needed. While shared services may offer some opportunities they must be approached with more scepticism. The amount of time needed for savings to be realised alone means that they are not the route to achieving the 2% savings target set by the government.

This briefing is published by UNISONScotland. For further information please contact **Dave Watson, UNISONScotland, UNISON House, 14 West Campbell Street, Glasgow G2 6RX, Tel 0870 7777 006.** d.watson@unison.co.uk.
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