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Shared Services in Further Education

A briefing paper for principals and governors of Further Education Colleges

Introduction

We all recognise the need to reduce the national deficit and the impact this will have across public sector funding over the next 5 years.

All organisations funded from the public purse will need to adapt to this new financial reality. The transition from a *'compete to spend'* to a '*collaborate to save'* culture will be difficult and challenging. It requires boards to review their business models, seek out and build trusted relationships with others and to work more creatively and flexibly together to deliver services to students, the business community and the wider society.

This briefing paper is designed to:

fast track your strategic awareness around the emerging opportunities for shared services in further education as a means to deliver efficiencies, service improvement and organisational resilience.

What is a shared service?

We define 'shared service' as: *the shared provision by one or more organisations of a specific service or function.*

Shared services can be sovereign or federal. 'Sovereign' shared services are typically found within larger organisations, which seek to draw together several internal departments to share a common service between them.

'Federal' shared services are where similar processes and services are combined (shared) between clusters of organisations.

Under English law, shared services can be operated through 12 different vehicles. For example joint committees, limited companies and limited liability partnerships.

Shared services can support activities that are customer facing, or in the back office and can include a wide range of business functions.

Shared service opportunities in Further Education

The FE sector currently lags behind other parts of the public sector, namely local government, in exploiting the benefits of shared service arrangements. The scope for saving generated through shared services has been well researched and documented. For example the National Learning and Skills Shared Service Programme (LSSSP)[1] reported estimates of between 20%-40% saving equating to £95m to £191m pa. Further research in Scotland[2] identified similar levels of potential saving.

Which services are ripe for sharing?

Clearly there is the scope to make savings, so which service areas are ripe for sharing in the FE sector?

According to research commissioned by the LSC[3] the four key areas ripe for sharing include:

- Human resource management
- Finance
- Student services (education maintenance allowance processes)
- Safeguarding activities (trip management processes, checks and data management)

1 LSSSP (2006) *Current State Assessment v0.1*

2 Scottish Funding Council (2007) *Review of shared services*

3 Bland, K (2010) *Shared Service-Further Education Centric* City of Sunderland College

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Other areas identified in the research included:

- Parts of the academic registry
- Continual professional development
- Data unit
- Quality assurance administration
- Reprographics procurement
- Archiving (electronic document management)
- Examinations
- Governance
- Customer relationship management

Business models and vehicles for sharing

A Board of Governors will need to consider which business model for collaboration best suits their needs.

Business models range from informal cooperation through a series of iterations to full integration (i.e. merger). Various collaborative route maps have been developed to help steer board discussion.[4]

From a further education perspective the business models receiving most attention are:

- Lead departments - an organisation consolidating and centralising a business service that will be shared by other organisations;

- Joint initiatives (internal) - agreement between two or more organisations/departments to set up and operate shared services;

- Federations - where colleges are members of a co-owned organisation delivering shared services on their behalf.

Examples of the most popular vehicles for collaboration are joint committees and limited companies either by shares or guarantee or charities

[4] Bland, K & Shared Service Architecture Ltd (2010) *'The Continuum of Collaboration and Control'*

The benefits and constraints of shared services

The JISC study[5] cited the following 10 potential benefits as driving the implementation of shared services:

- Continuity and resilience of service;
- Raising quality and adding value to existing services;
- Securing cost savings and sustainable efficiencies;
- Releasing staff time for more customer facing activities;
- Improving systems scalability;
- Ensuring improved and more up-to-date systems;
- Gaining a competitive advantage;
- Ability to offer otherwise unsustainable services;
- Leveraging transformation;
- Collaborating with other institutions and improved cooperation.

The JISC report also flagged up the most important challenges and barriers:

- Problems in establishing and maintaining satisfactory partnerships;
- Reluctance to rely on a third party for service delivery and concerns over loss of local control over critical services;
- Problems of leaving the partnership later;
- Problems incurred in running e-procurements;
- Risk to competitive advantage;
- Reluctance to have data stored elsewhere.

More recently the LSC report[6] identified the key barriers to shared services within the FE sector as:

- VAT
- TUPE/Pensions
- EU competition law
- Management information systems (MIS)
- Transition related - HR management issues
- Collaboration (willingness of colleges to trade independence for shared efficiencies).

[5] JISC (2008) *Study of shared services in UK further and higher education*

[6] Bland, K (2010) *Shared Service-Further Education Centric* City of Sunderland College

The KPMG[7] report found that the the legal frameworks for FE colleges were in themselves a barrier to collaboration and innovation.

VAT and FE

VAT is another complicating factor. As statutory incorporated institutions colleges enjoy VAT exemption.

As a broad rule of thumb if a FE college establishes a joint venture with others to share services, they cannot recover VAT on the provision of services through the joint venture. This creates a 20% hurdle to leap before savings are returned back to the institutions.

Various approaches have been made to HMRC to seek resolution to this issue. Potential solutions identified include using membership fees as a proxy revenue stream for shared services (e.g. ACER) or as the 157 Group reported[8], "carefully structuring the education institution so its joint venture vehicle is viewed as a single VAT group".

When is it right to share?

Sharing is but one option for a board to consider when seeking efficiencies and savings through collaboration.

Sharing works best when organisations operate within similar markets, share common processes and have alignment of organisational values and goals.

It is important to recognise that sharing is "*first and foremost a human and political challenge*". [9] The term sharing implies some letting go of power, resources, people and control whilst retaining responsibility and accountability.[10]

The key issues to address from the outset is the building of trust and a shared vision between the FE colleges wishing to share.

Therefore, creating shared service models requires a new style of leadership skilled at building collaborative capacity both within organisations and with strategic partners.

[7] KPMG (2010) *Delivering value for money through infrastructural change*

[8] 157 Group (2010) *Preparing colleges for the future*

[9] CIPFA (2010) Sharing the gain

[10] Gatt, M. Wallace, D. (2009)Shared Service Architects Toolbox

Academics name this Inter-Organisational Relations and the business community call this 'collaborative advantage'.

Research undertaken by CCCU/SSA[11] into 30 shared service projects across the the public sector found that many shared service business cases, despite reporting millions of pounds of cost savings and service improvements, were shelved because of a lack of trust or shared vision between the partners.

To overcome that problem a new style of project manager has been developed in the role of a "Shared Service Architect", senior managers who develop and sustain the trust and shared vision required for a shared service to be successful.

Your Shared Service Pre Flight Checklist

To help develop a shared service the Cabinet Office devised a map of five stages[12] that a shared service must journey through to be delivered successfully (see page 4). The first and most important step on that journey is establishing "Shared Vision".

It is essential to build strong trust and absolute clarity of shared vision before a business case is commissioned. If the FE sector do not get the shared vision activity right, then millions of pounds of your rapidly reducing funds will be wasted on shared service activity that goes nowhere, an expensive lesson already learned in local government.

The academic evidence is quite clear that no matter how much money you have to spend on a shared service project, no matter how good the project team and and the technology available, shared service projects will rapidly stall or fail if strong trust and shared vision has not been established between partners[13].

To facilitate your success, the five stages in the trust and vision journey is captured over the page.

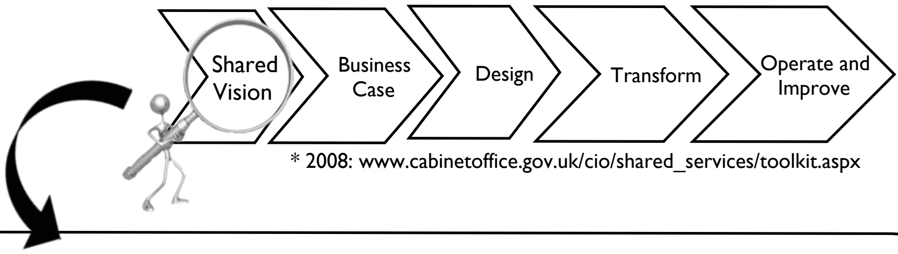
And, to help you quickly assess where your partnership is on that journey, we have devised a pre-flight check list, comprising a series of questions a board of governors should ask itself - especially prior to commissioning a business case.

[11] Canterbury Christ Church University and Shared Service Architects (2008/09)

[12] Cabinet Office (2008)

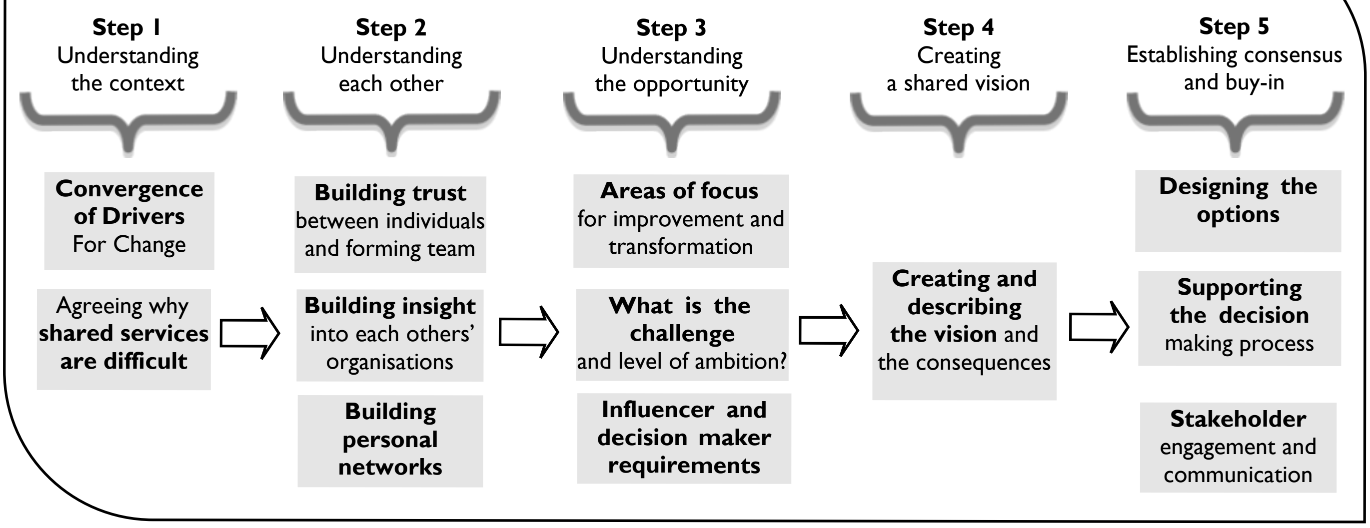
[13] Cropper, S. (Ed) (2009) *The Oxford Handbook of Inter-Organisational Relations*

The Cabinet Office* five key stages in the shared service journey



* 2008: www.cabinetoffice.gov.uk/cio/shared_services/toolkit.aspx

THE FIVE KEY STEPS OF THE SHARED VISION ROUTE MAP



Confidence indicators that the following building blocks are in place	Fully Confident	Not Confident
1. All partners understand and agree the drivers for change that make shared services an option for this project.		
2. All of the partners understand why shared service projects are difficult and have fully agreed how the difficulties can be overcome.		
3. A fully competent and skilled team has been put in place to develop strong trust and clarity of vision.		
4. All partners hold insights into the strengths and weaknesses within each other's organisations in relation to delivery of this shared service.		
5. A large external network of advice and experience has been identified and is being used to accelerate this project.		
6. The areas of focus for improvement and transformation have been identified and articulated by each partner and signed-off by leaders.		
7. Each organisation has held in-house discussions, at leadership level, to identify their level of ambition in engaging with this activity.		
8. A comprehensive stakeholder analysis/segmentation exercise has been carried out and a communications plan created.		
9. All partners have contributed to the creation of a shared vision document and its consequences have been accepted by them.		
10. The workgroup have designed a set of options that will deliver the shared vision outcomes and inform the business case.		
11. A full timetable has been agreed, by the workgroup, to gain rapid sign-up by all partners at the end of this route map.		
12. All partners are in full agreement that there is strong trust and absolute clarity of vision between them on this project and that the business case can be commissioned.		
13. All stakeholders understand the end benefits of this project and a timetable is in place to regularly inform them of progress.		