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Partnerships Within Reorganisation

CIPFA 23rd September 2011

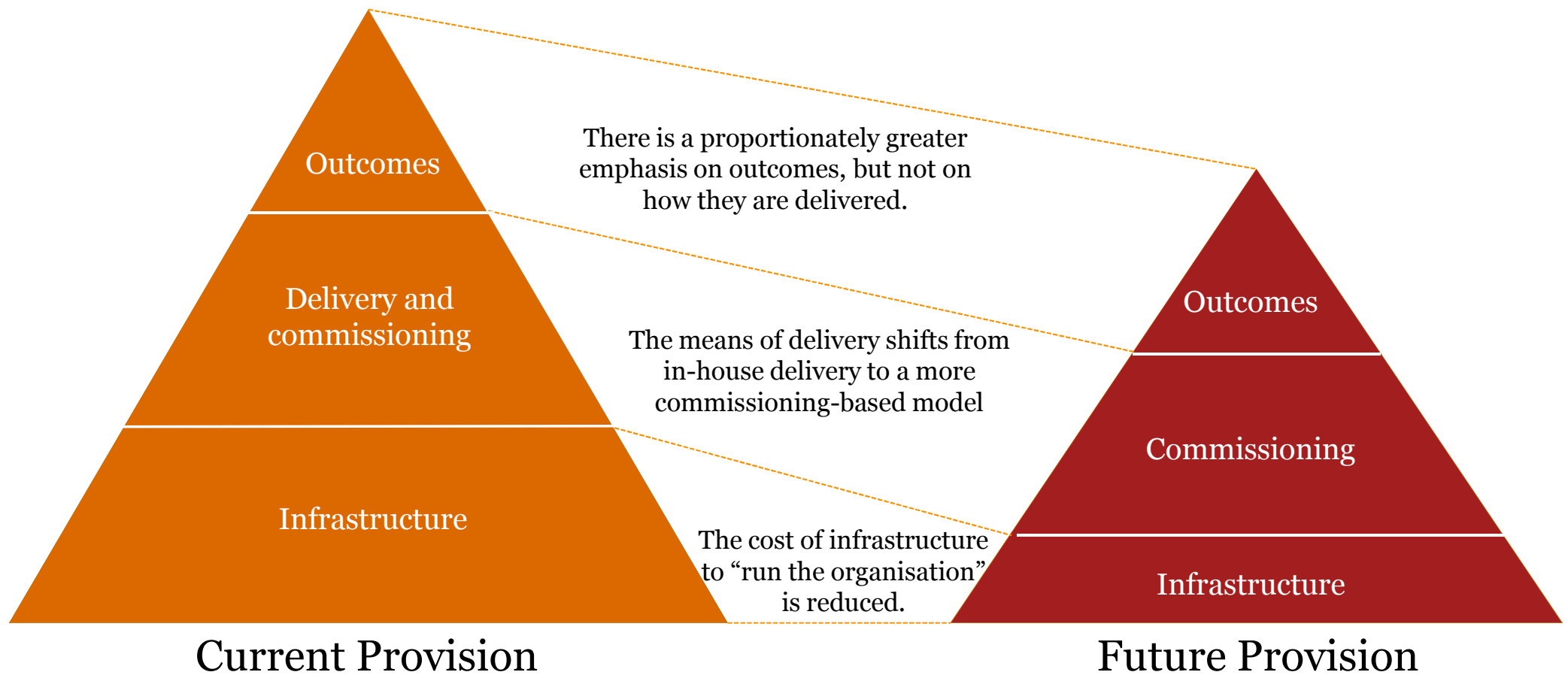


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Overview of Partnerships

Financial pressures are encouraging organisations to rethink their role

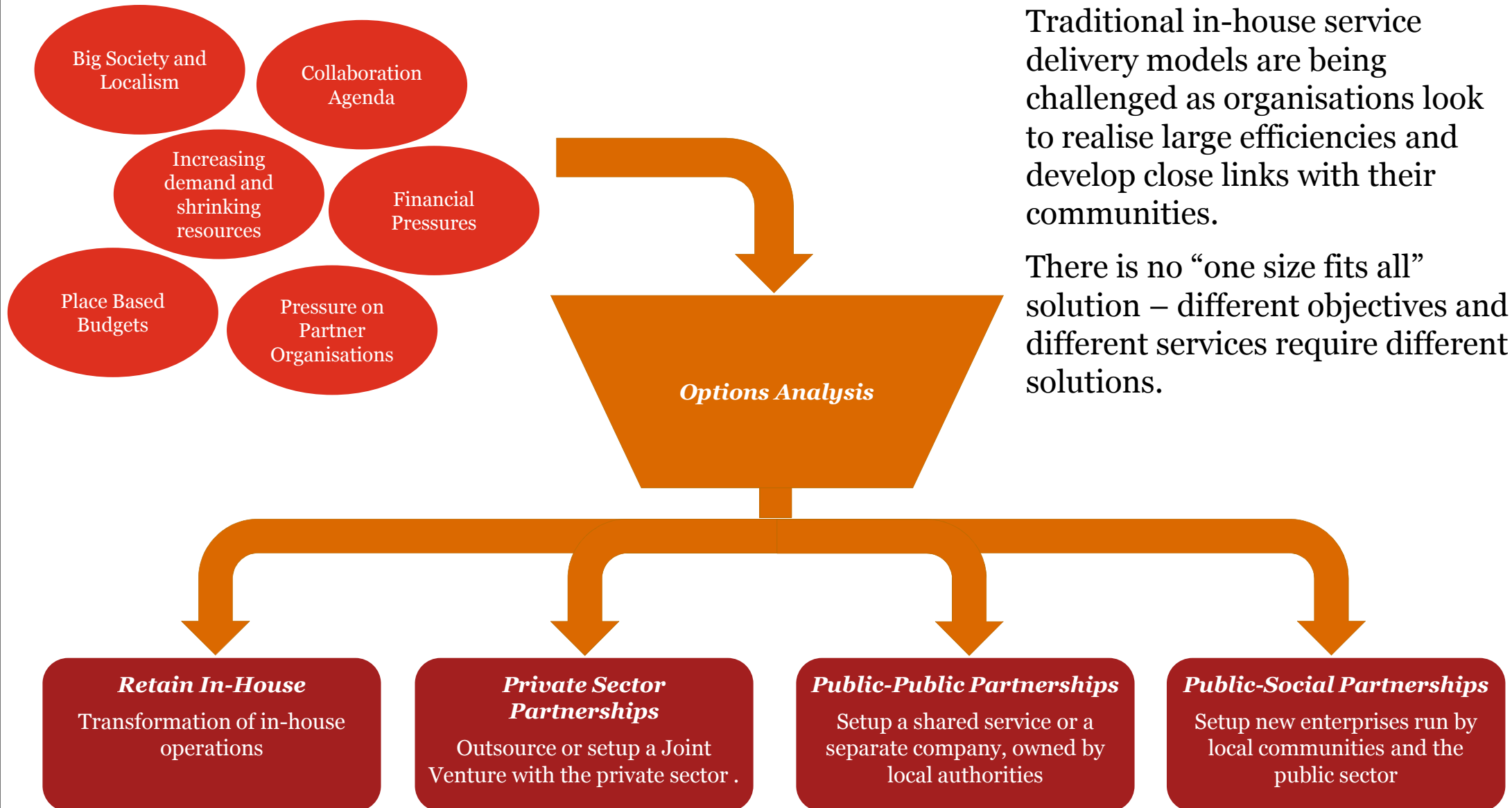
The Comprehensive Spending Review has significantly reduced overall resources driving organisations to radical change.



Reviewing service delivery models is one element

Traditional in-house service delivery models are being challenged as organisations look to realise large efficiencies and develop close links with their communities.

There is no “one size fits all” solution – different objectives and different services require different solutions.



Choosing the right model

	Retain In-House Transformation of in-house operations	Private Sector Partnerships Outsource or setup a Joint Venture with the private sector .	Public-Public Partnerships Setup a shared service or a separate company, owned by local authorities	Public-Social Partnerships Setup new enterprises run by local communities and the public sector
Cost Reduction & Income	No economies of scale, but internal efficiency	Contract can include mandatory cost reduction	Shared service introduces economies of scale	Localised delivery can limit cost reduction
Benefits Retention	Benefits retained by organisation	Benefits shared with private sector	Benefits retained in the public sector	Benefits shared with public /voluntary sector partners
Setup and Operating Costs	In-house transformation requires investment	Private sector investment recouped through ongoing costs	Setup and transformation costs are shared	Setup costs requires investment
Benefits Retention	Little scope to scale	Scalability is key to private sector growth	Growth through partners or trading, depending on vehicle	Often based on local delivery
Flexibility	Most flexible for the organisation	Private sector can be flexible but at a cost and based on contracts	Contracts may limit flexibility depending on vehicle	Contracts may limit flexibility depending on vehicle
Governance & Control	Organisation retains control	Governance & control through contracts	Governed through ownership and contracts	Governed through ownership and contracts
Reputation & Risk	Organisation retains all risk	Risk is shared with partners	Risk is shared with partners	Risk is shared with partners
Community Engagement	Engagement through organisation only	Limited to private sector	Engagement through partnership	Engagement through local partnership
Transparency	Internally transparent, but limited externally.	Contractually transparent	Contractually or constitutionally transparent, but limited externally	Contractually transparent and based on local engagement

Public-public Partnerships

An example: ICT public-public partnership models

Within each model there are more detailed variations. For example:

	<p>Share Management & Contracts:</p>	<ul style="list-style-type: none"> • Easy to understand • Most likely politically acceptable • Limited financial benefits • Dual reporting role of shared management can lead to complexity • Lack of overarching governance can lead to fragmentation
	<p>Contract through Service Level Agreements:</p>	<ul style="list-style-type: none"> • Lack of strategic involvement from both organisations can lead to perceptions of inequality • Often there is a lack of transparency between organisations • Increased savings through shared staff and assets • Limited flexibility as contractual agreement
	<p>Shared Service, joint governance:</p>	<ul style="list-style-type: none"> • Shared governance provides equal strategic input • More complex governance arrangements • Joint accountability and shared risk • Increased savings through shared staff and assets
	<p>Separate Trading/ Collaborative/ Mutual Company:</p>	<ul style="list-style-type: none"> • Increased savings through shared staff and assets • Potential to trade, if appropriate vehicle is chosen • Independent - potential conflict of interest • Increased cost of separate support functions and company overheads • Need to determine correct legal vehicle to avoid restraints

Key areas to address when changing model

Regardless of the specific collaboration model selected, there are a number of key areas that need to be addressed. The table below describes some of these considerations

Legal	People	Technical
What legal form: <ul style="list-style-type: none"> • Constitutional Model - Joint committee, etc • Independent Stand alone Organisation • Joint Venture • Joint Venture with Private Sector Partner What legal construct?	Who would be the employer? Would there be a common HR model (standard terms of employment etc)? How would recruitment be managed? What culture would be developed?	Standard Applications Integration with line of business Licences Support model Infrastructure On-demand strategy Scalability
Finance	Process	Services to 3rd parties
Pricing Tax Implications Management Information Statutory Reporting Sources of funding	Standard processes Standard interfaces to/from new model Implementation of common Performance Measurement – KPIs	Should services be traded? What services should be offered? How should these be offered - bundled v catalogue? Customer Service Strategy & Standards
Business Development	Assets/Property	Services from 3rd parties
Risk/Reward Mechanisms How would this be performed? Who would be responsible? How would a Brand be created? What would the business strategy be?	Location? Equity into venture from involved parties? Ownership & Control	Procurement & Legal processes Contract novation/ transfer?
Costs	Benefits	Risks
Organisational Costs Take-on costs for new partners/customers (Who picks up, when, etc.)? Transformation Cost sharing	Sharing of Benefits	Reputational Risk Financial Risk Operational Risks Risk Management Strategy Audit

Public-public partnership challenges

In our experience, typical challenges and issues for collaboration include the following:

Governance

Partners need to have broadly aligned objectives of the partnership and be willing to compromise

Strong and inclusive governance is critical. Each partner must have appropriate input into the operation of the shared service/partnership

Difference in culture and “identity” can often create conflict between partners unless carefully managed

Performance targets need to be set, agreed and measured. Discrepancies in targets and delivery between partners need to be addressed and an approach agreed

Business Processes

Each partner may operate different processes. Without standardisation it is difficult to put in place streamlined, standardised processes to realise efficiencies

Business processes are not understood and mandated – they may not be robust and followed

Further investment required in technology to standardise systems and align to new processes

Operational Protocols

HR arrangements can be problematic with different employers, terms and conditions and management arrangements

Procurement and legal scenarios need to be developed to ensure that audit, risk and legal requirements are satisfied

Financial management can prove difficult with cost / income spread across the partners rather than in a single area

Consistent and appropriate communication with partners to ensure partners are engaged with the partnership

Strategy & Objectives

Legal and other constraints impact on the most appropriate structure for the shared service /partnership/ company

Unclear strategy and guidance leads to confusion over business development and service delivery

Unclear expectations (financial and performance) mean that business case benefits are not realised

Perceived unfair arrangements where one organisation is driving the other or holding the other back leads to the perception that the partnership is a failure

Case Study: Cheshire Shared Services



In the last LGR, Cheshire County Council and 6 districts were reorganised to form Cheshire West & Chester and Cheshire East. A constitutional shared service was set up to handle a range of services, mainly focused on those previously delivered by the County Council. There were 2 types:

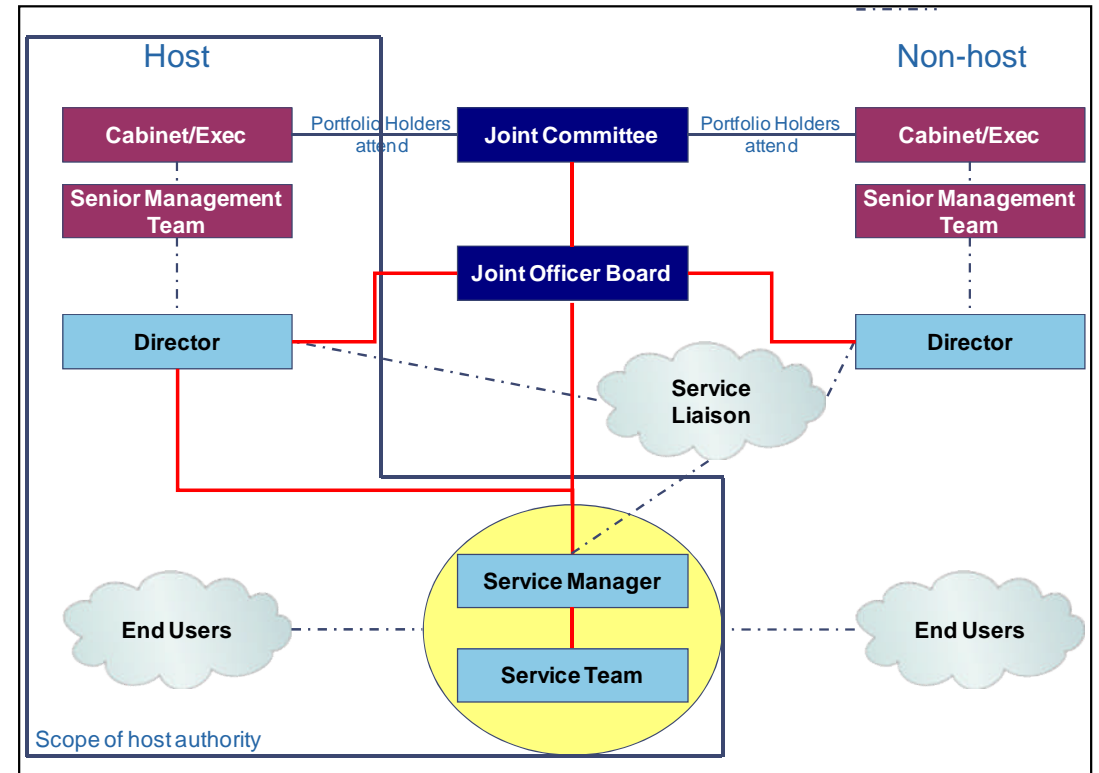
- Long-term sharing arrangements, e.g. ICT, HR & Finance, etc.
- Transitional sharing arrangements, e.g. Student Finance, etc

Over 35 services were in the initial scope with a total budget of over £150m and 1,500 FTE.

Case Study: Cheshire Shared Services

Key areas were:

- Governance, covering:
 - Strategic
 - Operational management
 - Programme/project delivery, e.g. Oracle IBS upgrade and optimisation
- Operational Protocols, including:
 - HR (secondment model used)
 - Finance
 - Procurement
 - Legal
- Budgets and cost sharing, focused on:
 - Aligning budgets and savings targets
 - transparency



Shared Services
Procurement Scenarios
August 2010 - v08

Shared Services – Finance Protocols

1. Introduction

1.1 This document sets out the approach of the Finance Services to monitor the financial performance of the Shared Services from 2010-11 onwards. The document sets out a number of shared Finance operating protocols which need to be agreed and adopted.

1.2 This is not an exhaustive document but provides high-level protocols and guidance. Should further information be required the Finance Services of the host organisation should be contacted in the first instance.

1.3 The Finance operating protocols should complement and be read in conjunction with the Procurement and HR services available on the Shared Services website. These set out questions and answers surrounding everyday arrangements around Procurement and HR.

2. Approach

2.1 There will clearly need to be an increased level of reporting and internal monitoring during the year. This would suggest an increased level of support from end users working with the respective Finance sections in the year.

2.2 This can be achieved through the establishment of new formalised mechanisms for Shared Service planning followed by implementation of processes to monitor and forecast use of resources in year. This can be achieved by implementing the following patterns in 2010-11 and agreeing a shared set of reporting protocols.

3. Shared Operating Protocols

3.1 This section covers:

- A. Named Finance Contacts and Co-ordinators
- B. Budget Setting Process
- C. Business Plan – Agreeing Financial content
- D. Reporting Shared Service Information on Oracle
- E. Agreeing Accounting approach in budgeting
- F. Corporate Overheads
- G. Provision of standard working papers
- H. Year End Arrangements
- I. Payment & Other Arrangements
- J. Dispute resolution
- K. Agreeing the protocol for reporting on terminated Shared Services
- L. Prototyping and agreeing the financial reporting methodology and available

HR Scenarios
August 2010

Shared Services

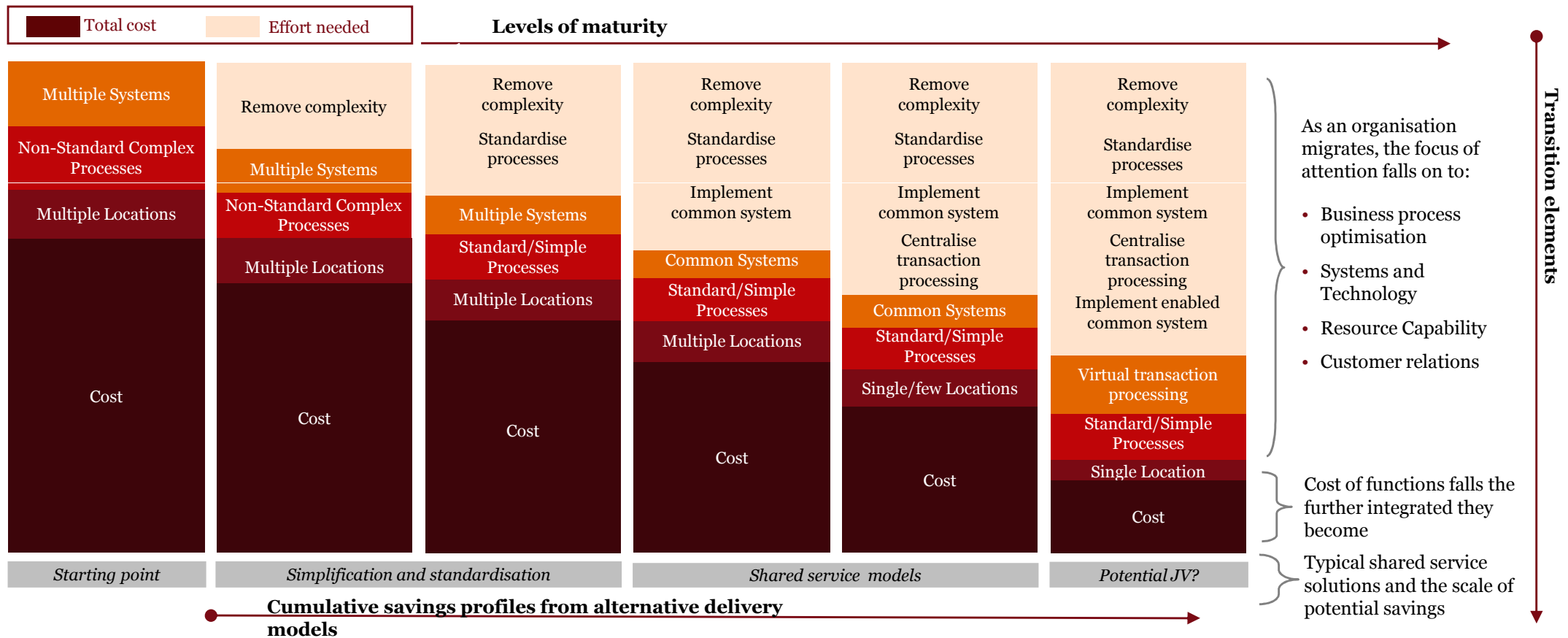
Case Study: Cheshire Shared Services

Achievements to date:

- Continuity through LGR and transition period:
 - many short-term, transitional services have now been ended and functions embedded into the new organisations
 - Longer term services have continued to support the organisational change (ICT project delivery and rationalisation of technical support, HR restructuring, schools business, etc).
- Financial savings:
 - > £5m in back office services (ICT and HR & Finance) through economies of scale and transformation
 - Further savings projected in the next year
- Continued development:
 - Improved performance and financial management
 - Ongoing development of arrangements, including potential growth and further collaboration with public sector organisations
 - Now “business as usual”

A maturing journey...

As the shared service model matures and changes are implemented, the levels of benefits an organisation can realistically expect increases. The continuum below is constructed around leading practice gained from our work across the private and public sector.



Questions?

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