1 Introduction

This paper is Scott-Moncrieff’s response to the Scottish Parliament’s Local Government and Regeneration Committee’s inquiry to:

“examine progress in relation to: the development of shared services and other innovative ways of achieving economies of scale and: harnessing the strengths and skills of key public sector partners to deliver the best possible quality services in local areas.”

Scott-Moncrieff’s response to the Committee is based on our extensive work and experience in this area. Scott-Moncrieff has worked with public sector bodies for over 50 years. Scott-Moncrieff's public sector team is one of the largest providers of audit services to the Scottish public sector. We advise public bodies on their current practices and give practical and tailor made suggestions for how public bodies can deliver the most effective and efficient services within a period of tightening financial restraints.

We continue to work with public sector bodies and help them to review, develop and enhance partnership and community based services. Our work in this area has covered public bodies all across Scotland. This work has been with both urban and rural, mainland and island bodies. Our evidence is therefore not based on one example, one type of solution or one area of specialism. The views in this paper are based on the knowledge and experience gained by Scott-Moncrieff working closely with bodies across the whole of the Scottish public sector.

The issues and concepts being considered by the Committee cannot be effectively addressed through the answering of the Committee’s ten questions alone. It is therefore important that written evidence should answer the ten questions but also provide further information and evidence where this is relevant.

Scott-Moncrieff has therefore set out our response to the Committee into two distinct sections. The first section of this paper sets an innovative method of delivering community led service provision devised by Scott-Moncrieff. This concept was developed in direct response to councils’ need to redesign services to meet individual needs with fewer resources. The Scott-Moncrieff concept is to develop supported community franchises through which a range of services can be managed and delivered by a community, be that one based on geographical location or common interest. The franchise concept provides a standard framework through which governance and performance management can be established whilst allowing sufficient flexibility for the continuous development and improvement of services.
The second section of the paper is Scott-Moncrieff’s responses to the questions set out in the Committee’s call for evidence.

The Community Franchise Concept

Background

All parts of the Scottish Public Sector need to find imaginative ways in which to redesign services to meet individual needs with fewer resources. These pressures arise from the unprecedented reduction in public funding, the need to design services from the individual or community’s perspective as highlighted by the Christie Commission, and increased scrutiny from agencies including Audit Scotland.

Public bodies have already made great strides in recognising the need for change with a more focussed organisational and committee structure and a more coordinated and customer focus. These include the creation of local hubs, one stop shops and community and customer service teams. There have already been a number of national initiatives which have sought to develop new ways of delivering additional local services. These initiatives have however tended to be in isolation and there is a desire to create a more robust framework through which further community based initiatives can be developed in a more coordinated manner. To achieve this, public bodies must understand the needs and wants of the communities they support.

Before you can start planning and designing services for a community it is important to define what constitutes a community. Agreeing an appropriate different definition of a community can enhance and open up opportunities for partnership working and community engagement. Through our experience Scott-Moncrieff has identified the following as the factors to be considered when identifying communities:

- A community is a group with a common or shared interest, identity and/or purpose;
- With larger geographical areas it may be necessary to break these down to smaller communities;
- There are a range of existing or historical communities within local authority’s areas including districts, wards and villages;
- Communities also include communities of interest as well as the geographical ones.
Community Engagement

Having identified the community public bodies need to engage with them. In setting out to deliver effective community engagement through partnership working Scott-Moncrieff has identified that the following issues which need to be considered:

- It must be clear who is responsible for defining the community involved (This is especially important when determining services and for agreeing communities of interest);
- A “one size fits all” approach to defining and working with communities is unlikely to work due to the diverse characteristics across communities, even within council wards;
- Innovative solutions and models should be about setting a direction of travel rather than trying to set out fixed models;
- The capacity of communities to respond to or engage with models of partnership working and community engagement will vary considerably. Public bodies must therefore consider how to support and develop capacity within potential communities.

Effective communication is critical to the long term success of a community franchise. This is likely to include selling the benefits at the outset with a strong brand and then providing regular good publicity for the community. It is also important to identify where it is the most effective method for delivering local services and where it is not. Through effective communication public bodies and communities can identify service need and ensure the best tool is used to deliver the required level and quality of services.

Public Sector readiness for effective community engagement

As well as developing and building capacity within communities, improving community engagement and partnership working will require change within public sector bodies. There is still considerable work needed to change cultures and develop more effective inter agency working. Public sector bodies need to listen more and see the benefits of pro-activity and prevention rather than simply being reactive to acute need. Through our work in this area Scott-Moncrieff has found that the introduction of new methods of community engagement require a significant change in the public sector in terms of culture, structure, management skills and leadership. Public sector bodies need to provide time and space for their staff to better understand communities. This
includes a need to consider more how the communities wish services to be provided rather than just delivering a fixed service specification defined by the public sector.

Delivering change and innovation needs to be effectively facilitated by public bodies. For example, some public sector staff could be impacted through potential transfers to shared roles or to new organisations. Staff may also need to develop new skills or to undertake multi-skilled roles. Public sector bodies must therefore plan for this change and provide support and assistance to their staff to ensure this transition is executed effectively. Public services are already going through significant transformation and therefore there is likely to be a more “can do” approach to the development of the innovative solutions to delivering local services than there has been previously.

Scott-Moncrieff’s community franchise concept

Scott-Moncrieff has developed a model which can be used by local authorities and health boards. The tool was designed to help deliver high quality and tailored services to communities despite the current financial climate and reductions in public sector resources. This community franchise model addresses all the points identified above. The model enables a range of services to be managed and delivered by a community, be that one based on geographical location or common interest.

The franchise model provides a standard framework through which governance and performance management can be established whilst allowing sufficient flexibility for the delivery of local services for a community; commissioned, and even delivered, by the people of a community.

Unlike some initiatives the rurality of a community should be considered as a potential benefit to the development of a community franchise. The benefit of rurality has also been recognised in some existing initiatives, such as community partnerships. Any community franchise will need to have a broad base of support from across the community and not be overly reliant on a small number of individuals. Care will also need to be taken to avoid the predominance of a perceived “old guard” with recruitment key to bringing in “new blood” on a regular basis. This is likely to require capacity building over the long term.

It is very important that new and innovative methods of delivering community led services do not alienate the locally elected councillors. Councillors must be recognised as part of the local solution and should be provided with plenty of opportunities to be associated with good news stories. The involvement of councillors also ensures continued and sustained joint working between the community franchise and the local authority. Without this joint working there is a risk that the franchise and
local authority could be seen as a potential threat to the delivery of effective local services.

Scott-Moncrieff recognises that the development of the community franchise should be seen as simply one of a number of tools available for the improvement of services and should be considered as a long term initiative rather than the next short lived high profile initiative. Scott-Moncrieff would be very happy to discuss the community franchise concept with the Committee.

Responses to the Committee’s call for evidence questions

1. **What are local authorities doing or considering doing in terms of alternative delivery methods? What has worked and what hasn't? What savings have been achieved from adopting alternative delivery methods? What support is being provided by the Government in driving change?**

Local authorities are seeking to identify opportunities for alternative service delivery methods and how these can generate the required levels of savings. National initiatives such as the Single Outcome Agreement (SOA) and Community Planning Partnerships have required public sector organisations to work more closely together. Whilst these nationally driven initiatives have required greater engagement and joint working the Scottish Government is correct in being concerned about the extent to which partnership working and shared service initiatives are being achieved.

Public bodies have already made great strides in recognising the need for change with a more focussed organisational and committee structure and a more coordinated and customer focus. These include the creation of local hubs, one stop shops and community and customer service teams. There have already been a number of national initiatives which have sought to develop new ways of delivering additional local services. Examples of these include Business Improvement Districts (BIDs) and the creation of Sports Hubs supported by SportScotland. However, these initiatives have tended to be in isolation and there is a desire to create a more robust framework through which further community based initiatives can be developed in a more coordinated manner. To achieve this, public bodies must understand the needs and wants of the communities they work for.

Resources must be allocated against the key strategic objectives for Scotland. The limited resources available to Scotland’s public sector bodies must be used to deliver services and outputs which are for the long-term benefit of the country. Strong leadership is vital if the level of savings and efficiencies required are to be delivered through existing budgets. Services which do not deliver against strategic priorities will need to be stopped and the funding used to meet the agreed national priorities.
A whole system approach to looking for new approaches and innovative working is required. For example, the connection between policing resources, the number of prosecutions, court availability and prison capacity needs to be considered as a whole. Without a full understanding of these inter-dependencies driving savings through the use of shared services may not lead to the most effective use of Scotland’s scare public resources.

2. How are opportunities for sharing services being identified?

Shared service solutions attempt to change how the public sector resources existing services. The primary focus of a shared service initiative is to reduce costs and resource requirements. The savings made through shared services can then either be reinvested into additional services or enable a public body to continue to deliver services despite current financial restraints.

Opportunities for sharing services are being identified on an ad-hoc basis. A co-ordinated approach is not always taking place within a local authority or health board. At a national level opportunities are based upon nationally led programmes, such as Public Contracts Scotland, or are based on the adoption and adaption of local initiatives which receive a high level of public profile, e.g. the integrated services model being delivered by NHS Highland and Highland Council. There is a risk that initiatives are therefore based on known examples rather than the best solution.

During this time of financial pressures public bodies are looking for opportunities to reduce their costs and identify alternative methods of service provision. Opportunities exist for linking up service provision between partners. This includes not only front line services but in-house service provision as well. For example, similar training programmes are provided within a local area by the council, health board, local colleges and others. Public bodies do not always explore the opportunity for one organisation to provide and deliver these training programmes on behalf of its partners. There is a risk that the current partnership arrangements are not fully utilising the skills and resources available within partnerships. The effective partnership should be proactively identifying and promoting areas where one organisation can deliver services on behalf of all its partners.

The current public sector structures within Scotland are not sustainable. Scotland cannot sustain 32 local authorities and 16 territorial health boards. It is therefore correct to assume that savings can be made through the combining of backroom and support functions, such as procurement and finance. Savings can also be made through combining the management and delivery of services, such as through the establishment of a single police authority for the whole of Scotland. However, it is important that the Committee recognises that shared services are one option in
addressing current budget pressures. The ultimate aim of shared services must be to identify the best use of resources to deliver the services needed by the people of Scotland.

3. **What is hindering moves toward developing shared and innovative service delivery models? In areas where moves to alternative service delivery models are not being pursued, what efforts are being made to standardise, streamline and simplify existing methods of delivery?**

The aim of public sector organisations is to deliver high quality effective services. The Scottish Government states that all public sector bodies have a duty to:

- secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and, in making those arrangements and securing that balance,

- have regard to economy, efficiency, effectiveness, the equal opportunities requirements and to contribute to the achievement of sustainable development

This duty relates to the quality of services delivered and the cost of delivering a service. Shared service initiatives are primarily focussed on the cost of services not on the service to be delivered. The focus should be on identifying the services to be delivered and then identifying the most appropriate model of service delivery. In some cases this will be shared services.

A further hindrance to shared services is that it is not clear what the aims and objectives of the shared service is or what are the roles and responsibilities of the organisations sharing services. In order for shared services to work effectively there must be clear visions and objectives in place which are relevant and adopted by all partners. Formal partnership documents must outline the roles and responsibilities of each partner organisation and how they are expected to contribute to the delivery of shared service objectives. There must be clear links between the partnership documents and the strategic objectives of the organisations sharing services. Objectives should be reviewed at regular intervals and reflect the priorities and targets of all partner organisations. Performance reports should be provided on a regular basis to all partner organisations. These reports should be linked to the strategic objectives of each organisation as well as specifically linked to Single Outcome Agreements.

Funding bodies can play an important role in promoting and rewarding shared services and joint working arrangements. Public bodies who are using shared services or have merged with others to deliver enhanced services and value for money should receive additional funding. This arrangement would incentivise bodies
to look at alternative methods of service delivery as well as empower the role and work of funding bodies.

4. How are the tensions between potential savings and possible job losses being resolved?

These tensions have not been resolved. National programmes for efficiency savings and budget reductions are caveated with the requirement that these produce no compulsory redundancies. Public organisations are therefore required to cut their cloth differently rather than assessing the level of resources required to deliver a defined level of services.

The current structure of public sector bodies within Scotland does not deliver value for money and is not sustainable in the future. It is important that the Scottish Government commissions an independent review of the public sector that doesn’t just focus on one area or sector. Opportunities exist for significant savings to be made but strong leadership and tough decisions will be required if these savings are to be realised.

5. What legislative barriers are there to developing shared and innovative service delivery models to their full potential?

There needs to be a forced reduction in the number of public bodies in Scotland. Leaving the development of shared services to individual bodies will not deliver the level of savings required and the existing structures and number of public bodies must be reduced. The Scottish Parliament should commission an independent review of the Scottish public sector looking at the best framework for delivering the long-term objectives for Scotland.

Previous restructuring has focused on specific sectors but has not looked at the Scottish public sector as a whole. Restructuring of local authorities was looked at in isolation from any restructuring of health boards. For example, the best way to deliver public services in the Orkney Islands maybe through a joint Orkney body providing both council and health services but a restructuring of only local authorities could result in Orkney’s council services being merged with a larger authority.

6. In what areas is there scope for national shared services along the lines of the shared recruitment portal for local authorities, ‘myjobscotland’?

There are good examples of where national shared services have been developed. However, these are often within specific areas of the public sector and there has been a degree of national compulsion required to put these in place, e.g. NHS Shared Services.
Opportunities do exist for further national shared service initiatives. There is however, a growing body of evidence highlighting the need for a careful and deliberate approach to the introduction of such innovations. Key elements to such approaches include the standardisation of processes across participating bodies, consolidation of non-strategic activities giving rise to economies of scale and the introduction of appropriate technology to enable greater efficiencies to be achieved.

Consideration could be given to the introduction of one payroll system for all public bodies or a single financial system that is adaptable to meet the needs of each body. Often shared service initiatives are based on sectors, but these opportunities could be adopted on a local or geographic basis. Indeed, if local authorities and health boards shared the same payroll system or finance system this could lead to enhanced business continuity planning as back-up data could be stored at multiple public sector sites.

Shared services could also include the collaborative negotiation of banking terms to secure improved interest and charges. Scott-Moncrieff was commissioned to carry out a review of shared service options on behalf of the Non-Departmental Public Bodies (NDPBs) Chief Executives’ Forum. One aspect of this study looked at the interest rates and bank charges for 17 NDPBs. Our review found that by sharing the best rates of the NDPBs up to an additional £275k could be received and bank charges reduced by up to £60k. This shared service option could be further enhanced by the adoption of a shared treasury management service.

7. What has been learned from elsewhere, for example Nottingham Early Intervention City or Birmingham total place initiative?

In researching options for innovative ideas for service delivery Scott-Moncrieff looked at community lead initiatives in place across the UK and internationally. Our research identified a number of successful projects which have been developed often by communities themselves. Specific examples included:

**Lambeth Council and its Lambeth First initiative**

Lambeth Council committed to delivering personalised services which are tailor made to the needs of its residents. In order to identify the needs of its residents the Council engaged directly with community groups and local voluntary organisations. Through the Council’s work communities and individuals are encouraged to take responsibility for the local services being delivered. Communities and individuals therefore design and deliver services and are accountable for the services provided. Lambeth Council found that an important step in taking this work forward was to ensure at the outset that there was a clear vision of what the Council and the communities wanted to achieve.
SUBMISSION FROM SCOTT-MONCRIEFF

In order to better facilitate this joint working Lambeth Council set up Lambeth First. Lambeth First is Lambeth’s local strategic partnership. The partnership is made up of local residents, businesses, voluntary groups and representatives from the local public sector. The members of the partnership are committed to working together to improve the lives of the people of Lambeth.
Bromley by Bow

Bromley by Bow is a community centre in a very poor part of East End London. The local community often felt overlooked and abandoned by public sector organisations and regeneration schemes. The people of the area felt that the existing public services had forgotten who the customer was and that service delivery was not person or locality centred.

The Bromley by Bow centre began as a local church people that opened up its doors to the people of its local community. Through engagement with the local people the church hall was established as a community centre delivering services which were in direct response to local needs. The people who set up and lead the centre describe it as a centre of community and entrepreneurship. Where solutions were not readily available the centre developed their own to directly meet the needs of the people of Bromley by Bow.

The centre provides an integrated range of services in a location where the people of Bromley by Bow need them and can access them. The centre has recently announced a joint programme with Barclays Bank. This joint programme is designed to support East End young people to progress into sustainable employment and has been developed to support local employers. From its beginnings as a small church hall the Bromley by Bow Centre now has an annual turnover of over £3m and employs around 100 staff.

Business Improvement Districts

Business Improvement Districts (BIDs) are originally a North American model for bringing together public and private funding for local communities. BIDs were introduced to Scotland in 2004. Local businesses and residents come together within a defined BID area. Businesses and residents within this area pay an additional fee (known as BID levy) for the delivery of additional services within the BID area. For example, the BID levy can pay for additional promotional signage, increased street cleaning or the addition of hanging baskets and similar visual improvements.

To deliver a successful BID the local council must establish a clear baseline of service provision that will be applied without the BID levy. Sufficient performance information must then be in place to demonstrate that the additional services funded by the BID levy are being delivered and that the baseline level of service provision is not being reduced. Since 2004 there have been several BIDs set up across Scotland, including Dunfermline town centre and Edinburgh’s Princess Street.
SUBMISSION FROM SCOTT-MONCRIEFF
A key lesson to learn from BIDs is how to promote a scheme when it is in the development stage. When BIDs were first introduced the Scottish Government stated that a good example of a successful BID was New York’s Time Square. However, this example was a deterrent to councils and local areas off as they all felt they had nothing like a Time Square within their boundaries. Therefore a potentially effective tool in councils’ toolbox was over looked or disregarded due to ineffective marketing of the idea.

Community based Social Enterprises

Within the European Union there is a community based social enterprise network, called the European Social Franchise network. The European network is a collective of separate business franchises across Europe. To become part the social network each business franchise model must be an established franchise that is set up to deliver a social goal. For example, the goals of franchises within this network include the providing full time employment opportunities for people with disabilities and employing rehabilitated drug users to run hotels or hostels. The social networks are all franchises that are set up to make a profit. Profits from each of the franchises are then reinvested back into local communities. Profits are often specifically reinvested into the social cause or community for which the franchise has been established.

Scott-Moncrieff’s research has highlighted both the depth of existing knowledge and experience within the public sector and local communities but also the challenges to be addressed in respect of reducing duplication and providing clarity on how to get things done.

8. In what ways can innovative delivery methods and collaborative arrangements (as mentioned, for example, in the Christie Commission report) help to improve outcomes and tackle embedded social problems?

Resources must be allocated against the key strategic objectives for Scotland. The limited resources available to Scotland’s public sector bodies must be used to deliver services and outputs which are for the long-term benefit of the country. Strong leadership is vital if the level of savings and efficiencies required are to be delivered through existing budgets. Innovative delivery methods and collaborative arrangements should be based on delivering the key strategic objectives of Scotland. Alternative models should be about what services should be delivered and the most effective methods of delivery. Therefore models can address the national outcomes and directly address local and community issues, including social problems.

Based on its knowledge and experience of the public sector, Scott-Moncrieff has developed an outline concept of a supported Community Franchise through which a range of services can be managed and delivered by a community, be that one based
SUBMISSION FROM SCOTT-MONCRIEFF

on geographical location or common interest. The franchise concept would provide a standard framework through which governance and performance management can be established whilst allowing sufficient flexibility for the delivery of local services for a community commissioned, and even delivered, by the people of a community.

Through the adoption of a community franchise a community can tailor the delivery of services to meet local needs and specific social problems. By linking the community franchises to local authorities’ objectives the outcomes of the community franchise are still delivering against the national outcomes for Scotland.
9. In what ways are CPPs being involved in driving the move toward new service delivery methods? What is hampering their involvement and how can it be overcome?

The arrangements supporting Community Planning Partnerships (CPPs) should be regularly reviewed and assessed to ensure that CPPs are on track to meet their strategic objectives and demonstrate best value through effective partnership working. Many of the existing structures are not providing effective scrutiny and challenge on performance. Accountability for community initiatives and partnership working continue to be often the responsibility of a local authority’s service committees. Whilst regular performance management reports are presented to service communities CPPs are merely required to note performance reports.

To address this situation the roles and responsibilities for CPPs and community services must be clearly defined and agreed by all parties. All partners will then know who is responsible for overseeing and administering shared services and partnership arrangements. As stated previously, a further hindrance to shared services is that it is not often clear what the aims and objectives of the shared service is or what are the roles and responsibilities of the organisations sharing services. This is reflected in the current arrangements for many CPPs.

If CPPs are to work effectively there must be clear visions and objectives in place which are relevant and adopted by all partners. Formal partnership documents must outline the roles and responsibilities of each partner organisation and how they are expected to contribute to the delivery of shared service objectives. There must be clear links between the partnership documents and the strategic objectives of the organisations sharing services. Objectives should be reviewed at regular intervals and reflect the priorities and targets of all partner organisations. Performance reports should be provided on a regular basis to all partner organisations. These reports should be linked to the strategic objectives of each organisation as well as specifically linked to Single Outcome Agreements.

In addition baseline levels of service delivery and minimum service standards should be agreed and made publicly available by CPPs. If this is not the case then the public will be unaware of the quality of service they are entitled to expect. Baseline levels of service and minimum service standards would also enable CPPs to effectively demonstrate progress and the delivery of efficiency savings.
Conclusion

Shared service initiatives are primarily focused on the cost of services not on the service to be delivered. The focus should be on identifying the services to be delivered and then identifying the most appropriate model of service delivery. In some cases this will be shared services.

Public bodies have already made great strides in recognising the need for change with a more focussed organisational and committee structure and a more coordinated and customer focus. However, these initiatives have tended to be in isolation and there is a desire to create a more robust framework through which further community based initiatives can be developed in a more coordinated manner. To achieve this, public bodies must understand the needs and wants of the communities they work for.

Funding bodies can play an important role in promoting and rewarding shared services and joint working arrangements. Public bodies who are using shared services or have merged with others to deliver enhanced services and value for money should receive additional funding. This arrangement would incentivise bodies to look at alternative methods of service delivery as well as empower the role and work of funding bodies.

The current structure of public sector bodies within Scotland does not deliver value for money and is not sustainable in the future. It is important that the Scottish Government commissions an independent review of the public sector that doesn't just focus on one area or sector. Opportunities exist for significant savings to be made but strong leadership and tough decisions will be required if these savings are to be realised.

Innovative delivery methods and collaborative arrangements should be based on delivering the key strategic objectives of Scotland. Alternative models should be about what services should be delivered and the most effective methods of delivery. Therefore models can address the national outcomes and directly address local and community issues, including social problems. Based on its knowledge and experience of the public sector, Scott-Moncrieff has developed an outline concept of a supported community franchise. The franchise model provides a framework through which a range of services can be managed and delivered by a community, be that one based on geographical location or common interest. This innovative model is just one tool available to local authorities but is a tool that can be tailored to each area and, unlike other models, is strengthened by the rurality of a community.

Scott-Moncrieff’s experience as a leading provider of services across the public sector means it is well placed to offer support and advice to the Scottish Government and
public sector bodies. Scott-Moncrieff requests the opportunity to discuss our evidence with the Committee. This would give the Committee the opportunity to discuss our written submission further but also enable us the Committee to gain a more detailed understanding of our experiences and to learn the lessons of previous shared service initiatives across the Scottish public sector.