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Sharing services makes sense

The pressure to work more efficiently and plough administrative cost savings back into frontline services is adding weight to the public sector trend of neighbouring organisations sharing core services, such as finance.

The emergence of local health economies is one well documented example but sharing across different sectors, for example a local authority and its regional fire service or police force, is now also a reality.

The business benefits of shared service agreements are well recognised – achieving economies of scale, a lower cost of ownership, faster systems implementation and upgrades, plus the pooling of skills, resources and ideas. They also enable smaller organisations to have access to powerful systems and technical environments which their budgets and resources may not allow as individual entities.

Different

There is any number of different shared service models. At one extreme, each organisation is set up as a separate client on a single application, carrying out their own transactional processing and in reality doing little more than sharing access to the system and the technical infrastructure.

At the other end of the spectrum, multiple organisations can operate as a single entity with centralised processing and reporting, one chart of accounts and shared customer and supplier master files.

There are many variations in between, including simply collaborating over a joint purchase and implementation process as in the case of the South Yorkshire Trust Consortium, but, whichever architecture is chosen, the full business benefits will only emerge if the system is flexible enough to deliver the information needed and to keep pace with changing circumstances.

Agresso

One company whose business information system is proving well suited to a shared services or collaborative environment is Agresso. Of the 50+ health organisations using the AGRESSO Business World system, more than half are working as part of a shared service. In other sectors, shared services customers include Wigan Council and the Greater Manchester Fire Authority, plus Gateshead Council with Northumbria Police.

Adapt

Agresso's system is designed to adapt to any shared service scenario. The model implemented in Devon is a multi-company service set up as a single client with the same chart of accounts and a shared supplier master file. It provides full transactional processing for the Royal Devon & Exeter Hospital NHS Trust, South Devon Partnership Trust and three Primary Care Trusts (PCTs).

Rodney Muskett, Deputy Finance Director of the Devon Shared Service, said: "When we came to create the original shared service, two of the three organisations had AGRESSO. It's a good system with very flexible reporting capabilities and it met all our needs so it was an easy decision to consolidate the other organisations onto it."

As well as offering the right functionality, Agresso's success can be attributed to the company's unusually open approach to knowledge transfer. This enables customers to add new organisations

very quickly. Muskett confirmed: "We had a lot of in-house expertise on the system which meant that, with Agresso's support, we could set the additional ledgers up, get them live and train the new users in under two months."

Devon Shared Service's Business Systems Manager, Darren O'Meara, added: "We've found sharing a single chart of accounts and one set of rules helps us to work more efficiently and retain a consistent approach throughout. We haven't lost any flexibility though because we can use value matrices to cope with the specific requirements of any one Trust."

"We have also seen some additional benefits in sharing the supplier/customer master files. It makes reporting quicker and easier and also helps to streamline many of our accounts payable and receivable processes. We're keen now to take advantage of other functionality such as e-mail distribution of reports to further streamline our work processes."

Separate

Derwent Shared Services (DSS) takes the opposite approach and runs seven organisations as completely separate clients on its AGRESSO system.

DSS has used AGRESSO as its base program since June 2002 to provide full transactional processing to meet the financial and management accounting needs of its clients.

The system set up, consisting of seven separate client ledgers, customer master files, a chart of accounts and two shared supplier master files, was initially chosen for security reasons, ensuring restricted access to client information. DSS believes its model allows clients the independence and flexibility to change their individual set-up as and when required whilst giving them confidence that their system and information is secure.

AGRESSO has enabled the DSS team to develop automated ad hoc reports for clients, automated ledger closedowns, possible duplicate payment reports and the e-mailing of remittance advices. Its Director of Client Development, Nicola Smith, now regards the flexibility of the system and the separate client environments to be amongst AGRESSO's best characteristics.

Managed

Agresso's ability to cope with any shared service scenario extends to providing a full managed service for the customer's technical infrastructure. The company, for example, specifies, sources, installs and maintains the hardware, the operating system and the AGRESSO Business World application for the East Kent Finance Consortium (EKFC).

That organisation has set up its AGRESSO system for two clients, one for the East Kent Hospitals NHS Trust and a second, much more complex one encompassing four Primary Care Trusts (PCTs) and a Partnership Trust.

The Consortium has a central team which processes all the transactions, including inter-Trust recharges, to help each organisation produce its own accounts. It also maintains the system and manages the shared master files. It uses AGRESSO's client identity attribute functionality to ensure transactions on the joint ledger are posted to the correct organisation, that payments are made from the right bank account and that each user has access only to the data they are entitled to see.

Mike Deal, EKFC's Corporate Finance Manager, said: "We find this set up works very well. It is efficient, economical, secure and meets everyone's needs. The six organisations have the benefit of a central resource and expertise whilst still having control over their own individual ledgers, transactions and reports."

He added: "It also helps ensure that we have common standards. We share the same parameters, work to common timetables and have harmonised processes and procedures, all of which means we get maximum benefit from shared knowledge and best practice."

Consortium member, Brian Allpress, finance director of the East Kent NHS and Social Care Partnership Trust, agreed: "Yes, the shared service does work. It is a good system, it delivers what we want and it is local and accessible."

Success

AGRESSO's suitability for any style of shared services environment is illustrated by the fact that in every case where a regional health consortium has been formed and AGRESSO has had a presence, it has been the chosen application to consolidate and build upon. Derwent and East Kent are both examples, the Royal Devon & Exeter Healthcare NHS Trust is another.

Evolve

Shared services in the health sector are still evolving. A trend is emerging for them to be built around Strategic Health Authorities whilst involving more interaction with external agencies such as Social Services. Again, the system needs to be very flexible to keep pace with the frequent changes in the NHS and to allow the structure of a shared services environment to be changed easily once it is operating.

In Agresso's experience, the most effective shared services are those which have evolved naturally and where membership is chosen rather than imposed. Success depends heavily on having a shared vision and a real commitment to working together since agreement and inevitably some level of compromise is required.

Independence

Too much compromise though, combined with running the service on an inflexible system, is where sharing can go wrong. South West Yorkshire Mental Health Trust (SWYMHT) is one organisation which opted in, and then out of, one of the national shared service pilot schemes in favour of independence.

In 2003, the Trust was the first of 22 organisations which turned to the newly set up West Yorkshire Shared Services to provide a single, modern finance system. Issues over flexibility and control meant that a year later, two weeks before its financial year end, SWYMHT took the radical decision to cancel the shared service contract and to select and implement its own new system, going live by early May.

"We found that the 'one size fits all' approach of a large shared service meant too many compromises." said Malcolm Featherstone, SWYMHT's director of finance. "We found the service didn't suit our requirements in a number of key areas and, because of its size, it was unable to respond quickly to our particular priorities and needs."

SWYMHT selected AGRESSO Business World, going live on time, to plan and on budget. "We wanted a system we could comfortably set up, run, maintain and adapt in-house without any specialist skills." said Featherstone. "With AGRESSO, we didn't have to make any major compromises. The system does what we want it to do and we'll be able to revisit and revise how it's set up as we gain more knowledge of the system's capabilities."

Optimum

Agresso recognises there is no right or wrong way of operating a shared service nor is there an optimum consortium size. Although today's technology is robust enough to handle any size or

style of shared service, it is important to weigh the benefits of economies of scale against the danger of involving so many organisations that it hinders the decision making process.

Bill Jones, Shepway PCT's finance director and part of the East Kent Finance Consortium, said: "I would be concerned if our Consortium got much larger. Canterbury is a coastal location and I think it would be hard to recruit and retain staff for a Kent-wide or regional service and that would present a risk for all the member Trusts."

Fellow EKFC member, Brian Allpress, admitted: "It's a difficult balance. The Consortium works because all the East Kent health organisations are involved, including the Hospitals Trust, so that gives us a critical mass. A larger service wouldn't be as user friendly or as accessible but could possibly be cheaper."

Impressive

Whatever the shape, size and style of shared service, providing the system itself and the approach is right, the business benefits are impressive, if notoriously difficult to quantify in the health sector. Agresso's customers say the frequent changes in NHS structures have rendered their original business cases for sharing financial services meaningless.

Cost efficiencies though can be easier to identify within other public sector environments. For example, seven councils in northeast England saved £660,000 by purchasing AGRESSO as a consortium. Each council has its own tailored system installed on servers at its own offices but as well as a joint purchase, they shared implementation consultancy and training.

But as Alan Smith, Director of Finance at Derwentside District Council and Chair of the Consortium, pointed out, the benefits are not just financial: "We've not only saved time and resources by taking a joint procurement approach but we've also benefited from sharing ideas, knowledge and technical, legal, finance and IT skills. It proves that joint working across county and district boundaries is possible and can help deliver better value to council tax payers."

Another Agresso customer, Ian Kell, Wigan Council's Deputy Director of Finance and IT, which is sharing its system with Greater Manchester Fire Authority, declared: "Sharing services makes economic sense. In fact, we expect to make enough real savings in time, efficiencies and lower processing costs that AGRESSO will become a self funding investment."

It seems sharing, or collaboration, is the way of the future, providing the service or consortium is the right size and has the right approach and the right system to help it deliver the business benefits.

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