

2011

# Glasgow Access LLP

## Case Study

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The **Serco** Institute



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### **About the Serco Institute**

The Institute is Serco's research facility. Our aim is to foster the development of sustainable public service markets through an outward-facing programme of research and communication.

Using an evidence-based approach, we study competition and contracting in public services and share the findings through our publications. These are intended to enhance understanding, in governments and the wider community, of the role that competition and contracting can play in improving public services, and of the conditions and practices that deliver the best outcomes.

# Glasgow Access LLP – Case Study

## Introduction

Access is a ground breaking shared service partnership between Glasgow City Council and Serco Group plc. It demonstrates how financial savings of 20% can be made whilst improving service quality by giving front-line prominence to often neglected back-office services. Established as a public-private joint venture in 2008 to manage and upgrade the local authority's ICT and property management systems, it brought together strategically important support services that had previously been scattered around the council's departments, causing unnecessary duplication and fragmentation.

## Breaking New Ground

Glasgow City Council is the largest local authority in Scotland, with an annual budget of £2bn and a workforce of 40,000, serving 600,000 residents. The council acted boldly in not only rationalising service delivery on such a scale but also employing a new business model – for the first time in Scotland - despite a strong tradition of direct service delivery. The establishment of the joint venture also brought together two essential support services that had hitherto not been joined, either in-house by existing central/local government departments or through novel partnership arrangements.

As a commercial enterprise, Access also has the capacity to grow its business by winning new work from the council and associated bodies, and securing further efficiencies. With strong leadership and robust governance arrangements that match the challenges of delivering continuous service improvement against a declining cost base, the joint venture was rapidly accepted as part of the furniture of local government. Now able to take its place alongside the other council departments as an equal rather than as a component part, it became a key partner in the delivery of Glasgow's vision of a modern council, contributing to a more flexible workforce, reduced carbon footprint and resilient IT and management systems. The joint venture has also forged a distinctive and well-regarded identity in the broader Scottish public service delivery landscape where, in general, government has backed away from the scale of private sector involvement seen in England.

## Ambitious Targets

The council has a 10 year contract with Access, worth £265m, that guarantees £50m of savings over its lifetime. The first three years have witnessed a speedy transition and a string of achievements. During the transition phase, Access delivered over £15m of technology projects whilst managing 20,000 computer desktops and 640 properties. In working towards its ambitious savings target, Access condensed five council helpdesks into one and collected 1700 disparately managed computer applications into one operating platform. The company is also responsible for delivering a major council property rationalisation project – Tomorrows Office – that seeks to reduce by 65% the floor space currently used by around 3000 council staff.

Access has also met a wide range of service delivery targets that have been increased year-on-year by the council whilst its core funding has been reduced. Critical ICT infrastructure availability has been maintained at levels above 99.9% whilst at the same time customer satisfaction has exceeded 90%.

# 1. Policy Context

Public policy interest over 'back-office' services has largely centred on efficiency gains that can be made by rationalising and consolidating business processes based around ICT support, finance and HR. The 2004 Gershon review identified £20bn of savings throughout national and local government that could be reallocated to front-line use through better use of resources and sharing of services.<sup>1</sup> The Operational Efficiency Programme continued this work identifying a further £35bn of savings based on five work streams including ICT, asset management, property and procurement.<sup>2</sup> At a similar time in Scotland eight councils in the Clyde Valley commissioned Sir John Arbuthnot to examine existing shared service schemes. His 2009 report identified a number of opportunities for joint working including:

- property sharing and management in local hubs
- a joint approach to "back office" services
- joint workforce planning
- a common charging framework<sup>3</sup>

In a practical sense, however, policy officials have followed the lead of local authorities. This was acknowledged by the coalition government in its Open Public Services white paper (July 2011):

*The wider public sector has much to learn from local authority successes in commissioning. Increased diversity will need to be coupled with strong mechanisms of accountability through open data, public participation and democratic oversight.<sup>4</sup>*

The first public-private local government joint venture dates back to 2001 when Liverpool and BT set up Liverpool Direct to manage all customer contact centres for residents accessing local services including a new electronic information kiosk. Service Birmingham was another joint venture set up in 2006 by the city council and Capita to manage customer contact and ICT.

Further developments have also brought several local public sector organisations together, alongside private sector management. Suffolk County Council and Mid-Suffolk District Council formed a joint venture with BT that delivers ICT and HR along with customer-facing services incorporating a contact centre for all enquiries about adult social care. In 2008, the South West One joint venture was created by Somerset County Council, Taunton Deane Borough Council and Avon & Somerset police, managed by IBM to share a wide range of services co-located in Taunton. Staff were seconded to the joint venture and a framework agreement was also implemented to allow other public sector organisations to purchase their services.

However, despite the burgeoning number of examples, it is generally acknowledged that the pace of sharing and streamlining has been slow. The Christie Commission on the future of Scotland's public services reported that opportunities were not being maximised following evidence from providers, audit bodies and unions.<sup>5</sup> The barriers to growth have in part been financial due to high upfront investment that takes a number of years to recoup. There are also concerns over the political acceptability of outsourcing delivery. A 2011 survey found that political concerns was the most commonly cited barrier amongst senior local government officials. The report recommended that providers spend more time educating their client around the benefits contracting out whilst local councils should invest some time and money in training and pay more attention to knowledge, governance and leadership.<sup>6</sup>

## **2. Procurement Process**

### **Embracing Change**

Glasgow City Council began thinking about restructuring its back office in 2006, prior to the economic downturn, in anticipation of significant organisational change. However, in the ensuing fiscal squeeze the urgency of the reforms has become much clearer. High property values at the time also motivated the council to extract more value from its diverse portfolio. Technology solutions were also acknowledged to be central to the delivery of most improvements. In particular, the council stored large volumes of data that presented pressing security risks, including sensitive personal and financial information such as council tax details and information about vulnerable social services clients.

### **Building a Business Case**

Over the course of a year, the council together with a team of external consultants, evaluated the available options. A partnership approach with the private sector was adopted for two main reasons: the council partly wanted to bring in outside expertise and also sought to efficiently transfer operational and financial risk. In order to effectively transfer risk a diverse set of business units and functions had to be brought together into a single agency thereby consolidating a fragmented supply chain.

The council had also begun spinning out a small number of services such as house building, facilities management, parking, community safety culture and sport into wholly owned arms-length extended organisations. The joint venture model could also be adapted to give greater comfort to staff around their job security by offering them the option of retaining their terms and conditions of employment under secondment rather than transfer to the new organisation.

### **Competitive Dialogue**

In order to choose a partner Glasgow ran an open competition, from which four bidders: IBM, BT, Capita and Serco were invited to take part in a competitive dialogue process. This gave the council time to develop their requirements and engage more closely with their competitors to assess the best fit for such a partnership. The competition was considered to be relatively quick at that time taking around year to complete.

### 3. Joint Venture

Following the choice of a partner, the joint venture company was created as a limited liability partnership. This was based on an agreement in perpetuity between Serco and the council, which formally assigned 50% of ownership to each party. However, in practice the council retained all assets and infrastructure as well as investing all the funds for the transition and modernisation. A 10-year core services contract, valued at £265m was then awarded by the council to the joint venture company as it came into being.

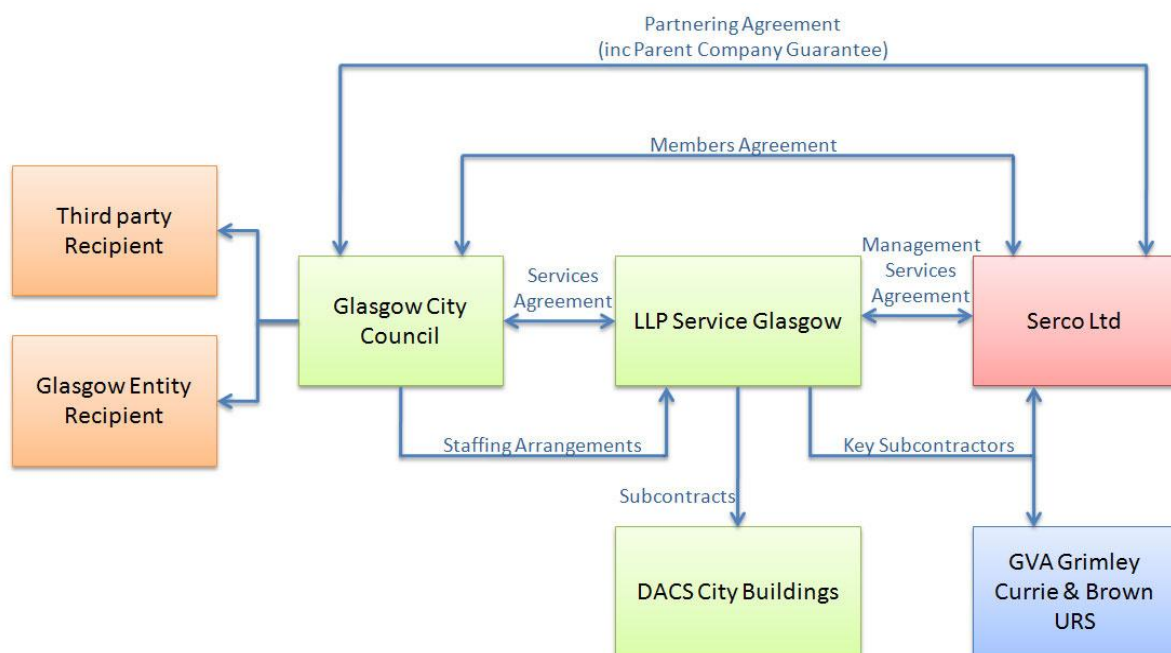
#### Risk Transfer

Under the contract, annual payments to Access for core services decrease every year and any shortfall in meeting contractual commitments must be met by the private sector partner. However, Access has the flexibility to frontload reductions in some areas to enable investment in others which will reap greater savings in the long term. Service quality is monitored via a suite of service level agreements covering IT and property management and shortfalls may be subject to financial penalties.

#### Potential Growth

Whilst the core revenue was projected to decline, there is also potential for Access to grow by winning more business and proposing further efficiencies for service delivery. A significant addition to the Access service portfolio was the extension of its ICT services to cover Glasgow's 18,000 school desktops. The joint venture partner has the right to take a fixed percentage management fee over Access' total annual revenue, which provides a further incentive to grow Access. Any surplus after the fee is subject to a structured gain share agreement between the joint venture partners.

Growth is limited by the original service specifications in the tender which were fairly tightly defined to include only ICT and property management. A wider framework might have included functions such as customer contact centres, HR and finance as seen in the other local government projects mentioned above.

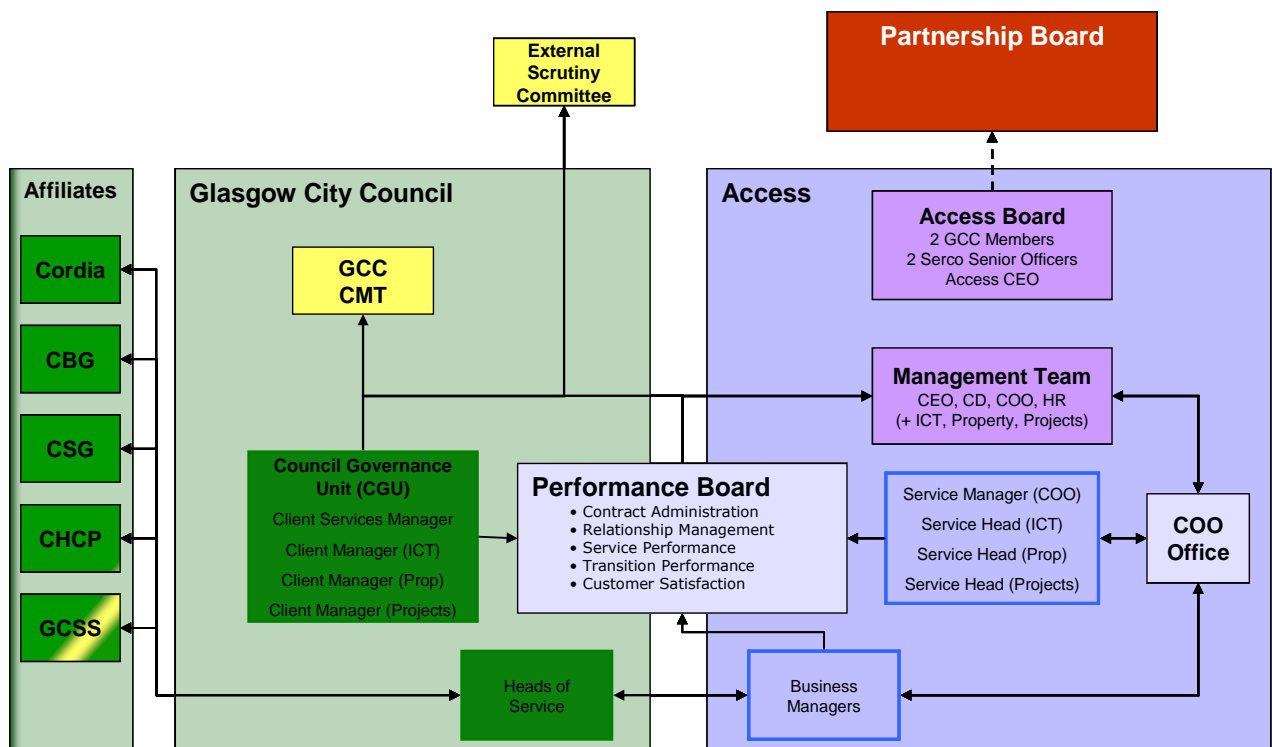


## 4. Governance

### Building Trust

As a public-private hybrid, the joint venture attracts higher standards of accountability than either of its parent organisations. Therefore governance structures are particularly crucial to the smooth running of operations. The structures were developed in the competitive dialogue process and resemble other joint venture models such as Birmingham City Council's partnership with Capita.

Roles and relationships within a joint venture are different to a traditional supplier/purchaser agreement since partners must both think as investors as well as customers or providers. In certain respects, the council performs all three roles by supplying staff, offices and equipment to Access as well as being a financial investor and customer. The boards, outlined below, provide a forum for the partners to become better acquainted, air their problems and understand their respective priorities. This in turn creates a platform for effectively recalibrating rights and responsibilities during the course of the contract as well as reconciling cultural differences.



### Partnership Board

The Partnership Board meets quarterly and is responsible for setting the organisation's strategic direction. It is chaired by the Chief Executive of Glasgow City Council. The council leader also attends with two senior Serco executives. The Access CEO is accountable to the Partnership Board but does not sit on it. Contractually, it acts as the ultimate point of dispute resolution and the council members can exercise a casting vote over important decisions. The board has been very important in terms of developing open and honest interaction between the council, Access and the private partner. This has been aided by consistency in the council and Serco personnel attending for each meeting.

The meeting typically covers an update about current issues and performance, which allows any points of contention to be addressed, with the rest of the time allotted to forward planning. The tone is fairly informal although a more formal decision-making style is used when approving accounts or similar matters.

In order to make better use of the board's time the Access CEO convened the Partnership Development Group with the Director of Corporate Services as a sounding board for new business ideas. This meets monthly and agrees a list of projects that both partners would like to explore and monitors their progress, thereby creating a filter for proposals going before the Partnership Board.

### **Access Board**

The Access (or Operating) Board is responsible for overseeing the joint venture's business plan. It is chaired by the Access CEO with two local politicians in attendance, elected councillors chosen by their respective parties. Serco also has two seats and is usually represented by the same senior executives present at the Partnership Board. GCC and Serco retain casting votes over certain reserved matters which are critical to their respective interests.

### **Performance Board**

This body is the most similar to those found in a traditional contractual governance model. It meets on a monthly basis to track delivery against agreed service levels and key performance indicators. It is led by a council official with the Chief Operating Officer of Access in attendance. The service level agreements track specific project delivery to time, cost and quality, and monitor the use of resources.

### **Glasgow City Council Corporate Management Team**

Six months after the creation of Access and the commencement of the contract, Glasgow's Chief Executive invited Access' CEO to sit on his Corporate Management Team where all the Directors of service departments sit. This brought the opportunity of active participation in the council's decision-making processes and contributed to the close working relationship between Access and senior officials. To date this is a unique development in the governance of Scottish local authorities (if not UK) and their relationships with suppliers.

### **Democratic Accountability**

The Access CEO must report twice a year to the External Scrutiny Committee which is similar to a parliamentary select committee for council departments. Regular suppliers are not required to undergo this level of scrutiny; it is solely because Access is a joint venture. In addition, decisions of the board are open to democratic scrutiny as the minutes of the Partnership Board are given to elected council members whilst board papers are subject to Freedom of Information legislation.

## 5. Employment

Access employs around 350 people. When the joint venture was established, council employees were offered the option of secondment or TUPE transfer to Access. Over 90% of staff chose secondment. There are also a small number of employees who are on Serco's terms and conditions as set out in the table below.

<b>Terms &amp; Conditions</b>	<b>Headcount</b>
Secondment	217
Access (including TUPE)	99
Serco	14
Other	9

### **Employment Protection**

Seconded employees are protected from direct redundancies and whilst there is a formal process for handing back staff to the council, Access must make the case for this in the context of overall structural re-organisation, including consideration of other Access and Serco employees. However, a council-wide scheme offering early retirement to all employees over the age of 50 has given Access some flexibility in managing its overall headcount. Applications for early retirement were received from 46 out of the 74 members of Access staff eligible for the scheme.

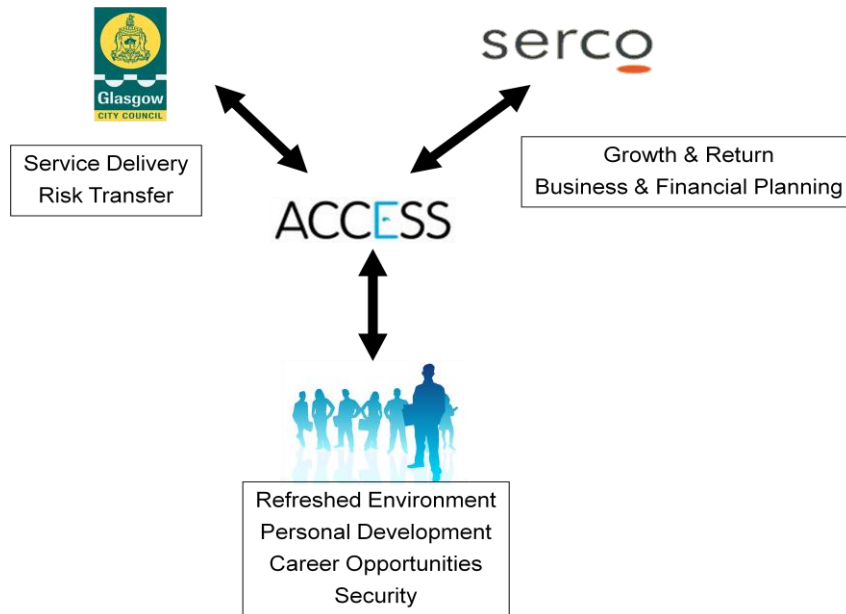
### **Improving Engagement**

New HR and employee engagement processes were also introduced under the joint venture. New performance review procedures ensure staff have measurable objectives and opportunities to develop. The Pride Awards were launched to recognise exceptional team and individual achievements in a number of categories including innovation, customer care and services to the community.

To enable greater input and innovation from staff a representative forum was launched with members with members volunteering to attend discussions on communication issues. Furthermore, an employee survey was launched in 2009. Based on the issues raised in the survey, Access internet and intranet sites were launched to improve both external and internal perceptions about roles, visions and values.

## 6. Leadership

The joint venture requires a strong and effective leader to manage complex legal structures and broker relationships so as to build and maintain trust between the various stakeholders. This involves clearly identifying each of the partner's motives and bringing them out into the open to identify how operational success can be combined with political acceptability.



Once the joint venture partner was chosen, the council ran an open selection procedure for the CEO. The successful candidate was, Duncan Mackison, a Serco employee, with public and private sector experience including sitting on the joint venture board of a Local Infrastructure Finance Trust. He moved to Scotland and hired most of his senior team from the Glasgow area. The Glasgow council leader at the time, provide a clear endorsement of the choice:

*Duncan has an ability to inspire, and has instilled a feeling in the staff that they have a big opportunity; that they have a new purpose. The workforce is no longer just a council department that services other departments. That's more than just a structural change: it's been a big culture and leadership change.<sup>7</sup>*

Good leadership also required a sensitivity to the wider political environment and a willingness to engage with politicians of all hues. Access' CEO also sought to reach out to the wider public sector through strong ties with representative organisations such as the Convention of Scottish Local Authorities and CBI Scotland's Public Services Strategy Board which he was subsequently invited to chair.

## 7. Performance

### Achievements

#### *Transition*

A transition programme following the award of the contract was delivered in the first two years. It involved over £15m of investments comprising 24 projects which improved the availability and resilience of ICT applications and networks. One of the first and most visible of the joint venture's successes was the establishment of the Enterprise Service Centre by consolidating five separate service desks into one, installing a new call handling system and changing the working practices of staff. Despite a 10% rise in call volumes, answering times have exceeded their targets and with almost 90% of calls answered in under 20 seconds.

#### *Modernisation*

An important part of the council's modernisation drive is the Tomorrow's Office programme which seeks to overhaul the working environment by reducing expensive city centre office space and enabling more agile working. Access is a key partner in achieving this and is managing the reduction of council city centre buildings from 19 to six by 2012, releasing 600,000 square feet of office space and realising savings of around £6m per year. As well as managing refurbishment and technology, Access has also been preparing council staff for the changes by consulting and offering them the opportunity to visit and comment on a new 'model office' environment. Home and mobile working will also be incorporated into the programme with 2500 mobile and home workers identified. A scalable pilot of 50 members was set up initially to test remote access using a virtual office suite which Access helped to create.

A large proportion of the staff that will benefit from mobile working are those in social work and this is where changes will initially focus. In addition Access is managing a major upgrade to the case management system for social work services used by up to 4000 users, 24 hours a day, which provides essential information on service users. The new system will allow more personalised service delivery through the use of an online management portal.

Access is also re-engineering other HR and finance processes within the council to increase efficiency and the use of shared services by eliminating, simplifying and minimising duplication in tasks. This is expected to deliver £5.1m in savings per year from 2013 onwards. Payroll runs were reduced from 689 to 91 per year whilst 21,000 employees have been migrated to electronic payslips and 40% of payable cheques have been switched to alternative payment methods. There will be further overhaul of payment methods through the use of a procurement card and e-invoicing techniques to remove 80% of paper invoices and reduce overall labour intensiveness of these services.

#### *Managing Suppliers*

To date savings of £3.5m have been achieved through effective management of the supply chain worth around £12.4m and made up of around 175 suppliers. In the first two years, 112 contracts were renegotiated and 52 were consolidated. Around one million pounds a year was saved by re-negotiating a £5m single network and telecoms contract by taking the opportunity to negotiate an extension a year early. The Access procurement team, supported by Serco and an external telecoms specialist disaggregated the managed service into separate components and undertook a rigorous due diligence exercise to allow better benchmarking and market testing of prices which in turn enabled more effective renegotiation.

### *Major Events*

Equipment and technical support have been supplied to major political and sporting events in Glasgow such as elections, the National Swimming Championships, Commonwealth Table Tennis Championships, including provision of internet broadcasting facilities. Access is also responsible for the provision of a business portal for the 2014 Commonwealth Games which will allow potential suppliers to compete for Games contracts.

### **Financial Performance**

Access is expected to achieve at least a break even position at the end of each year after Serco's management fee is removed. Over the first three years Access has made a small surplus whilst reducing costs to the council in line with its contractual commitments. Over the ten years at least £50m will be saved compared to projected spending before the joint venture.

### **Operational Performance**

Performance against expectations has been very strong, whilst the regular operational meetings between Access and the council to review targets have ensured that corrective action could be taken quickly when necessary. Access is subject to 35 service level agreements incorporating response and resolution times, service and network availability and the delivery of specified reports and plans. In the first three years almost all targets were met or exceeded. Only four exceptions were recorded out of 333 measurements taken in 2009-10, an overall achievement rate of 99%.

The targets themselves are challenging and a substantial number of them have been raised over the first three years. The service and network availability for critical ICT infrastructure must be maintained at a minimum of 99.9% which equates to no more than nine hours of unplanned downtime per year, based on 24/7 availability. Access must also show evidence of planning and testing disaster recovery contingencies and the vulnerability of their ICT systems. Moreover, Access was called on by the council to help in joining up emergency planning measures following involvement in devising and testing a business continuity plan in 2009 for a possible Swine Flu epidemic.

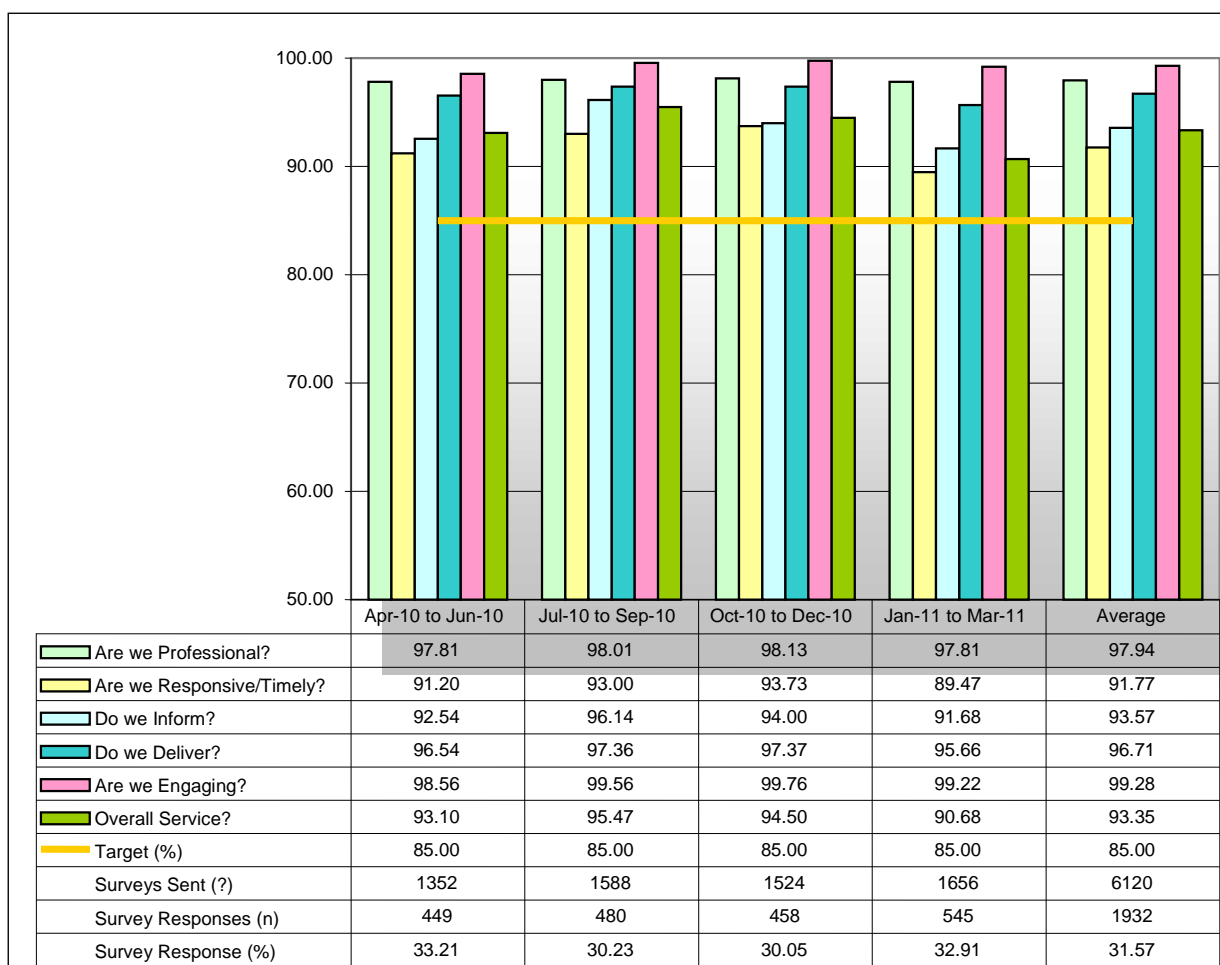
### **Customer Satisfaction**

Performance is also measured against service users experience and expectations with high quarterly and annual targets set for overall satisfaction. Results from the second and third years show consistent achievement above 90% satisfied or very satisfied. This is measured through surveys emailed to a random 10% sample of service desk users. The 5 core questions currently used in the Operational Survey are as follows:

How satisfied or dissatisfied were you with the following aspects of the service you received from ACCESS?

- Competence of staff (Professionalism)
- Speed of response (Responsiveness)
- Keeping you informed (Informative)
- Quality of work (Delivery)
- Courtesy of staff (Engaging)

**ACCESS Customer Satisfaction Analysis by Quarter for the Rolling YTD (Apr-10 to Mar-11) for:  
Service Category: Operations Service Area: All**



Access also manages in excess of 800 projects a year which previously would have been dealt with by the separate council service departments themselves. Measuring performance for this is more difficult because the sample sizes are smaller and the difficulty of projects is harder to compare. Nevertheless, using a similar methodology to the individual measures, results for 2010 show an 87.5% level of satisfaction. Access also tracks the delivery of each ICT and property project on a monthly basis and records the reasons for late or over-budget performance, allowing fast learning for future projects and higher quality delivery against declining resources.

Furthermore, Access has developed a system for recording comments, compliments and complaints directly from users through the various available channels (telephone, online, face-to-face). Although this is not subject to contractual service level agreements, key information reports are prepared on a quarterly basis and reported to the Performance Board. These reports include:

- Number of comments/compliments/complaints received and numbers unresolved
- Number closed
- Number closed or open that have exceeded the Access service standard
- How many open by age e.g. (5 days, 10 days 20 days, 60 days old and more than 60 days old)
- Service improvements made as a result

An annual report is also prepared for the External Scrutiny Committee setting out details of the number of comments, complaints and compliments received, the stages reached in investigating and determining the outcome of complaints and a list of any complaints which have progressed to the ombudsman with outcomes.

## Conclusion

The experience of Access, along with other local authority partnerships, demonstrates that savings of 20% can still be made to public services whilst improving the quality of support services and making large upfront investments. The value of competition and contracting has been to challenge traditional thinking, stimulate innovation and attain the best value for money. The council has been bold to experiment with a new business model which involves some risk but is set to extract significant value by creating a more tightly aligned incentive framework for both parties. This has laid a solid base from which to undertake major change and continuous service improvement whilst risks can be further mitigated through well-functioning governance arrangements. The boards bring the partners together to collaborate on shared objectives whilst demarcating clear lines of responsibility and maintaining high standards of accountability.

Another key to progress lies in changing cultural attitudes to the 'back-office' and designing more integrated solutions for public services. John Seddon, a leading thinker on public sector reform, has identified an altogether more fundamental error in perception:

*Having a back office itself is a design mistake... As soon as you create a split between front and back office, you also create waste. To do the same on a larger scale is to mass produce it.*<sup>8</sup>

The Christie Commission, in looking at the future of public services in Scotland adopted this analysis and recommended a more holistic approach to re-engineering services by engaging staff and users to better manage demand. With consecutive years of public spending cuts planned across the UK and spending levels not projected to return to current levels, in real terms, for a generation, there is a pressing need for adopting tried and tested solutions which fulfil the necessary criteria further and faster.

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<sup>1</sup> Peter Gershon, *Releasing Resources to the Front-Line: An Independent Review of Government Efficiency*, HM Treasury, 2004; [http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/efficiency\\_review120704.pdf](http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/efficiency_review120704.pdf)

<sup>2</sup> Operational Efficiency Programme – Final Report, HM Treasury, 2009; [http://www.bis.gov.uk/assets/biscore/shex/files/oep\\_final\\_report\\_210409\\_pu728.pdf](http://www.bis.gov.uk/assets/biscore/shex/files/oep_final_report_210409_pu728.pdf)

<sup>3</sup> Sir John Arbuthnott, *Clyde Valley Review 09*, 2009; <http://www.improvementservice.org.uk/news-2009/november-2009/arbuthnott-review-calls-for-closer-working-between-councils-and-nhs/>

<sup>4</sup> HM Government, *Open Public Services White Paper*, The Stationery Office, 2009, p.30; <http://www.improvementservice.org.uk/news-2009/november-2009/arbuthnott-review-calls-for-closer-working-between-councils-and-nhs/>

<sup>5</sup> Sir Campbell Christie, *Commission on the Future Delivery of Public Services*, 2011; pp.66-67 <http://www.scotland.gov.uk/Resource/Doc/352649/0118638.pdf>

<sup>6</sup> Interserve/YouGov, *Local Services: Better for Less*, p.32; <http://isissys.webfactional.com/media/files/YGS-InterserveCouncilsReport.pdf>

<sup>7</sup> 'Plugged into the Future – Interview with Duncan Mackison', *Herald Scotland*, 10 January 2010; <http://www.heraldscotland.com/business/corporate-sme/plugged-in-to-the-future-interview-of-the-week-duncan-mackison-of-serco-1.997347?89471>

<sup>8</sup> John Seddon, *Systems Thinking in the Public Sector*, Triarchy Press, 2008, p.37; quoted in Sir Campbell Christie's report, *Commission on the Future Delivery of Public Services*, 2011;; <http://www.scotland.gov.uk/Resource/Doc/352649/0118638.pdf>