



# strategic links

**Shared services divide opinion among finance staff, but with the Department of Health giving its backing and the need to look at all services for cost savings, has its time now come? Seamus Ward reports**

While the Department of Health has always strongly supported the use of financial shared services in trusts' money-saving arsenal, it has never gone as far as mandating outsourcing. That remains largely the case, though the Department recently shifted its position and could now require some trusts to adopt shared services.

It's a significant move and, together with the widespread use of shared services in commissioning and the general need to make the NHS as efficient as possible, it prompts the question: are shared services now a must-have for the NHS?

Anecdotally, some trusts without financial shared services remain certain they get the best deal from their in-house payroll and finance and accounting services, though others admit they should review their cost-effectiveness against an outsourced solution, particularly in the current fiscal climate.

Trusts needing financial support may have no option. In October last year, the Department said trusts requiring financial support in the form of public dividend capital, guarantees or loans may be required to adopt shared services as a condition for getting the support.

Unsurprisingly, shared services providers believe their time has come. NHS Shared Business Services (SBS) – a joint venture between the Department and Sopra Steria – provides its finance and accounting services to just under 30% of provider trusts.

And provider interest is growing, according to SBS managing director David Morris. 'Organisations with financial challenges are looking at their back office support services to ensure they are efficient. They are also looking for partners to deliver innovation and transformation. It's not just to reduce costs of provision, but also to increase the quality.'

He believes the Department's guidance making shared services a possible condition for financial support is a further factor stimulating trusts' interest. But he adds that trusts looking to ramp up their reporting capability are turning to partnerships with shared services providers because in the current financial environment they cannot make these types of investment alone.

## Provider interest

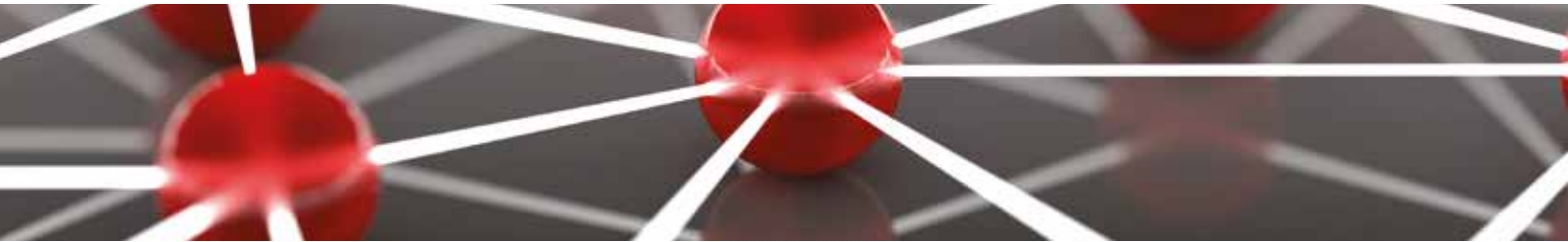
ELFS Shared Services managing director Graham Gornall agrees that providers are showing greater interest. It currently provides financial services, including accounts payable/ receivable and financial accounting, at eight trusts and payroll at 19 trusts. This includes four trusts that take both financial services and payroll.

'I would say the level of interest from NHS trusts and foundation trusts requesting advice, support and indicative costs has increased significantly in the last two to three months. I've had two enquiries today – one for payroll and one for finance and payroll services. Trusts are now looking at the difficult decisions around outsourcing.'

The terms of the additional liquidity, through loans or PDC, may also be driving this interest, but Mr Gornall adds that some trusts that already have finance outsourcing arrangements are reviewing the efficiency and effectiveness of these deals.

'The NHS is financially challenged and everyone has to be responsible and look for savings, get better quality and get better value,' he says. 'A lot of providers are facing huge cost improvement targets and they are looking for better deals than they have at existing providers.'

ELFS has recently won a number of high-profile contracts – a payroll



contract at Alder Hey Children's NHS Foundation Trust; financial services at Imperial College Healthcare NHS Trust, Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust and Poole Hospital NHS Foundation Trust; and finance and payroll at South Tees NHS Foundation Trust.

At the HFMA annual conference in December, Imperial finance representatives told delegates that the NHS had to get more value from its transactional services. This would allow finance to shift its focus to supporting clinicians and senior leaders in their decision-making.

The trust's finance department had improved a lot of its processes and systems over the past few years and the purchase-to-pay system was as efficient as it could be. Only an investment in new technology would take it to the next stage.

However, a bid for investment would mean competing with other bids, including clinical programmes. To avoid this but still get the tech investment, it decided to look at shared services.

It wanted a partner with a good track record of delivery and it did not want to change its financial system. Taking these factors into account, the trust chose ELFS and the service is being implemented.

Staffordshire and Stoke-on-Trent Partnership NHS Trust has outsourced some services to SBS. The trust was established in September 2011 from three primary care trust provider arms and took over the provision of adult social care services from Staffordshire County Council in April 2012. It inherited a range of providers for back-office services, with the local acute trust providing procurement and a local shared services provider and Staffordshire County Council providing some financial services.

Director of finance and resources Jonathan Tringham says the trust opted for shared services to achieve three objectives. 'I wanted a single provider for all of these services and also a relationship that was more than just a contract. I wanted a partner that would bring innovation and help us develop new services. Also, I wanted to save some money through the new arrangements.'

The trust decided it needed support in four areas: financial services, procurement, operational services (payroll and recruitment), and business intelligence and data warehousing.

Following an OJEU procurement, the contract was awarded to SBS and three of the four areas (the trust is still working on business intelligence and data warehousing) are operational.



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**Jonathan Tringham,  
Staffordshire and Stoke-on-Trent Partnership NHS Trust**

Mr Tringham says the trust is on track to save £5m over the five-year contract. 'The business case identified savings of £884,000 a year from the cost of the services now provided by SBS. In addition, they delivered £275,000 in procurement savings in year one of the contract.'

The arrangement between SBS and the Staffordshire trust is a good example of partnership working, Mr Morris says. 'The trust takes our services, from procurement to payroll to finance and accounting so they have a fully integrated service. We meet monthly to talk about the business challenges and opportunities it creates for both organisations.'

As part of the deal, there is a framework agreement allowing other NHS organisations to procure shared services without having to go through the formal procurement process.

Mr Morris says shared services is now accepted as an efficient way of running back-office services. 'It is 10 years since we launched and we have delivered £343m of savings back to the NHS. There is an acceptance from trusts that they need to be testing against shared services.'

### Resistance to change

There was some resistance to using SBS when it was set up around the turn of the century, Mr Tringham acknowledges. He includes himself among senior finance staff who were not convinced.

'A large number of trusts didn't want to lose control. Many thought SBS didn't have the product needed, but since then they have invested a lot in the technology and processes. Some of the functions are carried out in India, where they have access to a highly skilled and trained workforce with all members of staff having a great understanding of the processes, their KPIs and Lean processes. I have not seen anything like that here.'

Mr Tringham believes more and more NHS bodies will turn to shared services as they seek efficiencies. This will be particularly true of organisations struggling financially, which will come under increasing pressure to benchmark their back office functions against shared services arrangements.

'I am a convert to shared services. In my early days as a finance director I wanted to control payroll, accounts payable etcetera so they were kept in house. But now I don't see that as my core business. The business of a healthcare provider is providing healthcare, not managing the complexity of payroll or the accounts function. Things like that are better done at scale. I challenge any organisation to provide the same services cheaper in house.'

SBS believes this is the case. Mr Morris says it is on target to deliver £1bn in savings to the NHS by 2020 – based on its existing service, recruiting new clients and adding new services to its roster.

He welcomes the NHS future-focused finance programme, particularly the action area focusing on efficient systems and processes. 'I think there is an opportunity for the NHS, if there is more collaboration between trusts, to deliver better value. The efficient processes workstream aligns with our thinking. We look for continuous improvement in our shared services programme – we have a Lean team, a business excellence team – it's a major focus for us and has been for the last three or four years.'

Whether in-house or outsourced as shared services, as we enter the next period of austerity, all trusts will have to ensure their back-office functions are as efficient as possible. 