

## For mutual benefit: a new approach to shared services

*The holy grail of organisational design is being able to change when the world that you live in changes. But actually effecting change in public sector organisations has been a particular challenge for politicians down the ages. Financial Controller, Graham Barnes, explains to Ian Herbert and Ruth King how the administration of pensions for the civil service is presently undergoing both revolutionary and evolutionary change.*

### What is MyCSP?

'My Civil Service Pension' or MyCSP, administers pension schemes for over 250 Government employers of various magnitudes. Its roots lie the 2004 Gershon report '*Releasing resources to the front line*'. One result was a Shared Service Centre (SSC), established in the Department of Work and Pensions (DWP) in 2006, providing accounting, employee and other support services. Civil Service Pensions administration was added to the SSC's portfolio in April 2010 and, in April 2011, the Minister for the Cabinet Office, Francis Maude, announced the transformation of MyCSP into the first government mutual joint venture. The mutual went live on 1<sup>st</sup> May 2012 – a tremendous transformation, in a relatively short space of time.

### Why the shared service model?

Having around 250 challenging customers, with varying needs, we firmly believe that the shared service model is right for us. The emphasis on the customer has helped us to develop services that balance the need for standardisation to achieve economies of scale with the flexibility to respond to customers who require a different, tailored approach. The employers range in size from the Ministry of Defence and HMRC to JobCentre Plus and the Forestry Commission, as well as a host of smaller employers. There are 1.47million scheme members and pensioners that we deal with directly and we think of these people as our customers, alongside the clients, who contract with us for the administration service itself.

### What is MyCSP trying to do and how do you measure your achievement?

MyCSP has four key strategic goals to support its Mission and Vision, underpinned by four values which describe how we operate (Figure 1).

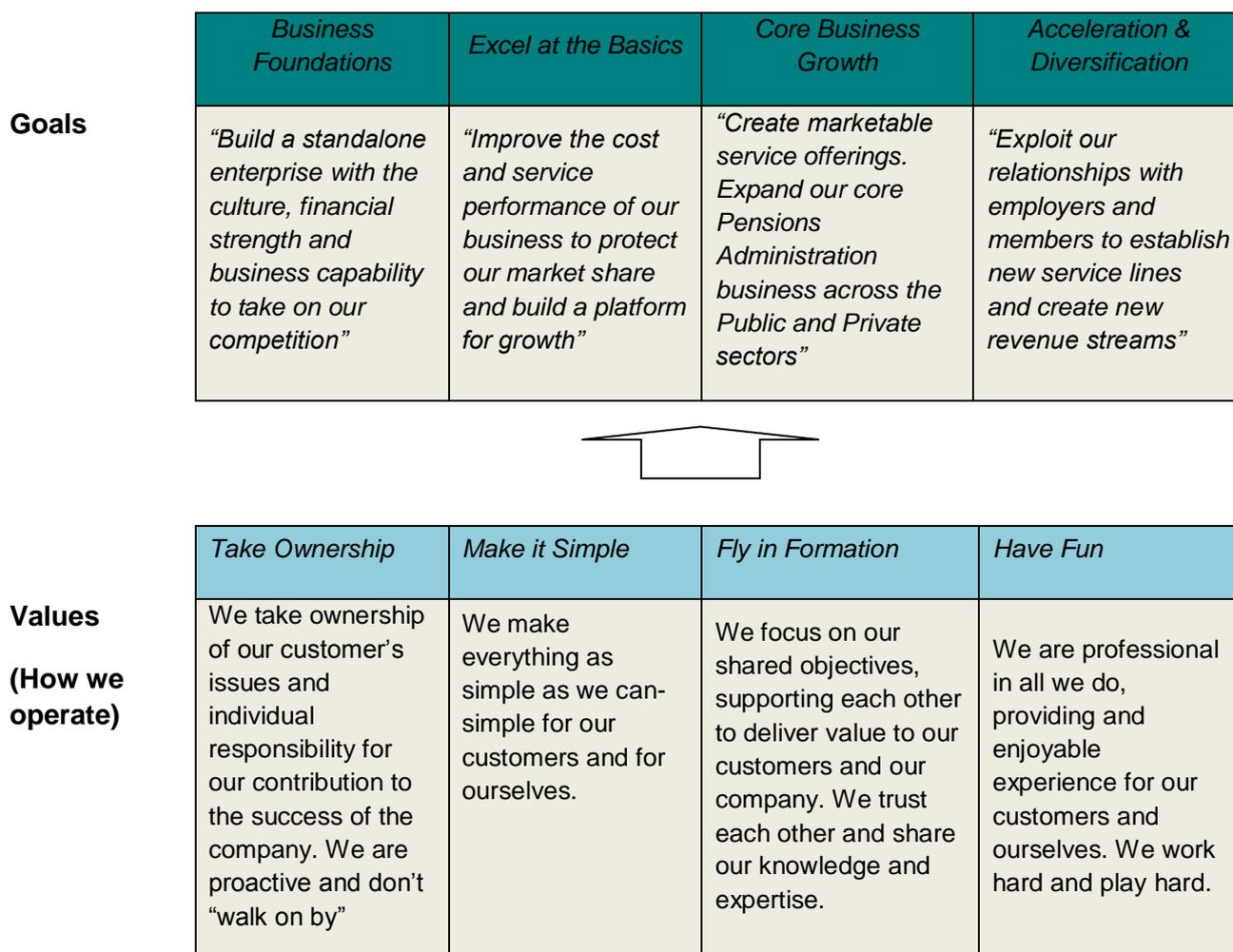
Mission

*"To be a vibrant, profitable mutual that delights our customers and inspires our people"*

Vision

*"First for our customers. First for our people. First in the market"*





**Figure 1: MyCSP - Strategic Goals and values**

**What has mutualisation involved?**

The headline change for MyCSP is that responsibility for the administration of civil service pensions has been moved into a legal entity jointly owned by the government (35%), the employees (25%) and a private sector company, Paymaster (1836) Ltd, part of the Equiniti group, (40%). Staff have been transferred under the TUPE legislation.

**The press are calling it the ‘John Lewis’ model. How will this work?**

The idea is that people are motivated to improve the performance of the service in terms of quality and cost if they have a financial stake in the business. In our case, the employees’ stake is held through an Employee Benefit Trust. An Employee Partnership Council appoints two directors of the Trustee company who, along with a director appointed by MyCSP Ltd, set the profit share policy and exercises all shareholder voting rights on behalf of the employee partners. When an employee leaves, their share stays behind – they don’t take any shares with them so the employee share of the business doesn’t get diluted over time. On the main Board of MyCSP Ltd is a Non-executive Director appointed by the employees as owners, alongside the Chairman, CEO, CFO and two Non-Execs appointed by the other

partner organisations. The real payback in future will be to leverage our joint expertise and resources to expand into other areas of pensions administration. We not only have these formal structures in place and embedded in our constitution, our CEO also invites members of the Council onto his management team so our employees are involved in all key decisions. In addition we continue to recognise our trade union and work closely with them.

**So this is a win-win situation for the taxpayer and the employees?**

That's the idea, but we are not underestimating the challenges ahead. To assume that our existing workforce will suddenly be brighter and more hard-working than before, just because they have moved into the private sector is disingenuous. We have always taken great pride in the highly professional way in which we have worked in the past.

**Nonetheless you expect there to be a difference?**

Clearly the new organisation is intended to facilitate new ways of working but there are a number of facets to the planned changes and significant opportunities for synergies between them. Let me explain.

Foremost in the change strategy is investment in information technology. Whilst it is difficult to establish cause and effect relationships between inputs, processes and customer service especially within the public service, nonetheless, by setting out formal service level agreements (SLA) with our clients, linked to quantifiable objectives such as reducing costs by given percentage year on year, we can build a business case that links our share of those savings with costs of achieving them. In other words, we are in a position to say that x will be the result from y investment. And, the new entity will enable both inputs and outputs to be transparent, whilst the Government will be sharing any downside risk with two other parties. Perhaps most significant, the staff will comprise one of the three parties. Put simply, over 500 workers will be directly aligned with the objectives and success of the business.

**But words that mean lower more inflexible levels of service?**

Not at all. The SLAs will put our relationship with clients on a more structured basis, setting out both rights and responsibilities between the two partners to the agreement. For example if we are going to provide a good service then we have to be supplied with the right data in a timely manner from our clients. SLAs help everyone to establish clear lines of responsibility with the result that service costs rewards for continuous improvement become visible.

The Service Levels that have been negotiated reflect industry best practice. Throughout the life of the contract we will be benchmarking our performance levels to ensure we are keeping abreast of developments and improvements in the industry.

**But it sounds like much of this could have been achieved without the risks inherent in the mutualisation?**

Whilst that is a moot point, and indeed, some quarters of the press have been somewhat sceptical of the approach, we are confident that we can build on the changes that we have already achieved. Our transformation journey is entering new territory in many ways but we firmly believe that the future is exciting

## **But how confident can you really be?**

The point about the headline change to mutualisation is that behind the revolution has been a more gradual process of evolution based on the adoption of the shared service model. The setting up of the SSC in 2006 did not get much coverage in the press, but the change in outlook and working methods was perhaps just as significant back then. For example, through the CIMA – Loughborough University Roundtable on shared services we have been sharing best practice for a number of years with both the public sector and private sector organisations.

The contract we have with government puts obligation on MyCSP to deliver transformational changes to agreed timescales across the following workstreams covering technological; cultural; process and performance aspects of change. A Transformation Board oversees the delivery with representatives from the main client (Cabinet Office). Whilst, this helps to provide assurance that we will meet our contractual obligations, at the end of the day our people know that the more successful we are as a company the higher the dividend they will receive as their share of profits each year – now that's a real incentive.

## **Thank you**

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An extended version of this article originally appeared in Outsource Magazine (10 July 2012) and is reproduced here with permission.

Project supported by the General Charitable Trust of the Institute of Chartered Management Accountants.