The future for staff development?

Internal trading or outsourcing

Malcolm Harper, November 2011
Session purpose

- To be able to construct an outline business plan for a staff development service
Options

- Continue as is - efficiency drive
- Internal trading – expose costs
- Shared services - share costs
- Outsourcing - offload costs

Malcolm Harper, November 2011
The bigger picture

- Re-distributing funding burden for HE
- Creating a market for HE services
- Competition to drive down costs and improve quality
- Review of core strategic strengths and service profile built around them
- Greater organisational diversity according to institutional strengths/target markets

Malcolm Harper, November 2011
Back to the future?

- E.g. 1990’s in Local Government
- Competitive tendering
- Internal contracting – service level agreements
- Service/Business planning
- Government ring fencing of funding
- DLOs then Housing Associations then PFI
Organisational user issues

- Do people have a clear idea of how development and training can/does contribute to organisational and individual performance and motivation?
- Do Faculties/Schools/Depts manage development and training activities in such a way that needs are identified and resources to meet them used effectively?
- In terms of service provision, is there an appropriate range of timely provision available and is it in keeping with a properly considered level of demand?
- What is the cost of the various activities and do the benefits accord with them?
## Process

<table>
<thead>
<tr>
<th>Internal trading</th>
<th>Shared services</th>
<th>Outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity analysis</td>
<td>Activity analyses</td>
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<tr>
<td>Service profile</td>
<td>Service profiles</td>
<td>Service profile</td>
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<tr>
<td>Cost breakdown</td>
<td>Cost breakdowns</td>
<td>Cost breakdown</td>
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<tr>
<td>Charging options</td>
<td>Funding allocations</td>
<td>Bids</td>
</tr>
<tr>
<td>Business Plan</td>
<td>Service plan</td>
<td>Contract management</td>
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</tbody>
</table>

Malcolm Harper, November 2011
7 – more extensive sharing of operational services

8 – partnership outside the sector e.g. other public sector bodies

11- consider outsourcing partnerships as normal part of strategic planning

Malcolm Harper, November 2011
<table>
<thead>
<tr>
<th>Service</th>
<th>Geographical proximity required</th>
<th>Possible delivery vehicles (see 5.9)</th>
<th>Set up costs?</th>
<th>Likely savings from (assuming VAT recoverable)?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>No for transaction processing services Yes for other services, e.g. cash office and management accounts function</td>
<td>Outsourced contract /strategic partnership or joint initiative between institutions. <em>Department of Health/Xansa</em></td>
<td>Dependent on delivery vehicle but should be limited unless new processing centre is to be built and staffed.</td>
<td>Low contract price (if outsourced) due to economies of scale), or reduced processing costs from standardisation of processes, reduced staff costs</td>
</tr>
<tr>
<td>Payroll</td>
<td>No</td>
<td>Outsourced contract /strategic partnership or joint initiative between institutions. <em>LogicaCMG</em></td>
<td>Dependent on delivery vehicle but should be limited unless new processing centre is to be built and staffed.</td>
<td>Low contract price (if outsourced) due to economies of scale), or reduced processing costs and staff costs</td>
</tr>
<tr>
<td>Human resources and staff development and training</td>
<td>No for majority of functions Yes for certain services, e.g. induction, counselling, grievances</td>
<td>Outsourced contract or joint initiative for processing; strategic partnership for staff development and training <em>Higher Education Academy</em></td>
<td>Dependent on delivery vehicle but should be limited unless new processing centre is to be built and staffed.</td>
<td>Reduced processing costs, staff costs</td>
</tr>
</tbody>
</table>

p. 21 Shared Services in the Higher Education Sector, 2006 KPMG

Malcolm Harper, November 2011
Handy – Shamrock organisation

**CORE STAFF**

Key Managerial & Technical Employees

Company Operations & Development

(Full Time & Dedicated)

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**EXTERNAL SUBS**

Outsourced Contractual Fringe

- Writing
- Editing
- Graphic Design

(Engaged as Needed)

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**PROJECT WORKERS**

Flexible Contingent Laborers

Temporary and/or Part Time Tasks

(Engaged as Needed)

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Malcolm Harper, November 2011
“The Shared Services Advisory Group estimates that successful use of shared services can produce a 30-50% cost reduction in the private sector and 20-30% in the public sector. Unfortunately, the use of shared services is still relatively rare within UK higher education. A September 2008 report by the Joint Information and Systems Committee (JISC) found that only 26% of HE institutions reported themselves to have any shared services at all, compared to 30% of further education institutions. Additionally, only 3% of HE institutions were found to have a shared service in finance, human resources, timetabling or student records.”

p.1 Policy exchange research note 2010-Higher Education in the age of austerity
Shared with whom?

- Other HEI(s)
- LA
- NHS
- Private sector provider
Briefly review the arguments for the various delivery options for development and training services:

- in-house delivery/internal trading
- shared services
- outsourcing to a contractor(s)
Service cost analysis

- Breakdown of activities
- Delivery methods/location
- Capital/revenue expenditure
- Apportionment of general overheads/central costs
- Any profit/surplus targets
Activity profile

- Unit management (if appropriate)
- Non-chargeable time (various)
- Corporate activity e.g. policy work
- Direct training course delivery
- General consultancy work
- Team building/development
- Coaching/mentoring
- Others...
Examine the cost information provided
Make additions you think fit
Calculate the number of service delivery days and your day rates to recover costs
Any issues?
Business case

- Persuade internal stakeholders/partners
- Organise resources to deliver services in line with agreed agenda
- Manage performance in line with regime in place
Role and function of the service
Review of achievements
Current situation analysis
Trading account
SWOT analysis
Key objectives for the next 12 months
Financial plan for the next 12 months
Action plan

Malcolm Harper, November 2011
Virtual learning centre, automated management systems

In-house provision

Few professional staff supported by e-learning expert(s)  
Significant professional staff providing a range of services

Out-sourced provision

Few client side staff to facilitate and manage the contract  
Few client side staff to facilitate and manage the contract

Fully staffed and equipped development and training centre

Malcolm Harper, November 2011