

# 4 Options appraisal

## 4.1 Overview

We have appraised each of the options identified in section 3:

- Maintain the status quo
- Implement organisational change and service improvement
- Partner / collaborate with other organisations
- Outsource to the Scottish Government central functions
- Outsource to a private sector provider

## 4.2 Assessment criteria

The following criteria have been used to assess each of the options to ensure consistency and clarity:

- Efficiency – the level of likely increased efficiency
- Investment cost – the potential level of investment needed to implement the option
- Level of change – the scale and timing of the potential impact on current staff, management and operations
- Access – how accessible is the proposed option to Historic Scotland
- Risk – the level of risk attached to each option

Each of the options are described below and assessed against each of the above criteria.

## 4.3 Maintain the status quo

### 4.3.1 Overview

As part of any options appraisal, an appraisal of the option to maintain the status quo is required. This would effectively mean no change in either how the functions are being delivered with all the inherent issues identified in the previous sections.

### 4.3.2 Efficiency

There would be no improvement in efficiency and indeed it is likely that efficiency levels would deteriorate if the current position is not addressed.

### 4.3.3 Investment cost

There would be no investment cost in retaining the status quo although there are likely to be increases in operating costs as a result of operating groups seeking to implement local solutions to address issues relating to the current centralised services.

#### 4.3.4 Level of change

There would be no change for current staff which may be perceived as a missed opportunity.

#### 4.3.5 Access

This is readily accessible and is arguably the easiest option for Historic Scotland to pursue.

#### 4.3.6 Risk

There are significant risks arising from maintain the status quo including increased costs, deteriorating service and weaker internal controls.

#### 4.3.7 Summary

Our assessment of this option is therefore:

Criteria	Rating (HR)	Rating (Finance)
Impact on efficiency	No	No
Investment cost	Low	Low
Level of change required	Low	Low
Access to option	Yes	Yes
Risk	High	High

#### 4.3.8 Conclusion

We believe that, to maintain the status quo would ultimately lead to a decline in service standards and have a negative impact on efficiency within the organisation, given the increasing workload of the department as a result of various factors, including the Government efficiency agenda. We have therefore assessed this option as: **REJECT**.

### 4.4 Organisational change and service improvement

#### 4.4.1 Overview

The case for implementing organisational change and service improvement within Historic Scotland is overwhelming, given the findings that we have outlined in sections 2 and 3 and detailed in the appendices. It is also a pre-requisite to be able to move towards any form of sharing of services or outsourcing arrangement.

However, it is critical that the changes needed are recognised as organisational ones rather than being simply limited to within the HR and Finance Departments. Key to the success of such a change programme will be the recognition by operational line managers that they have responsibilities in relation to HR and Finance functions.

A change programme needs to address:

- Historic Scotland's strategic vision for HR and Finance services
- A clear definition of what the service should cover and what it should not
- Performance management related to the above service definition
- Clear job descriptions and competencies required of management and staff covering both the service departments and operational groups
- Revised systems and procedures to improve efficiency

Such a change programme would be needed to ensure the Agency's needs are sufficiently defined prior to entering into negotiations with potential shared service or outsource partners.

#### **4.4.2 Efficiency**

Significant efficiencies are possible through a more effective use of the available resources and by providing greater clarity on what should be done and what is outside the scope of the defined service.

The provision of effective training to key staff, the streamlining of processes and systems and the provision of accessible guidance and standard support would all improve efficiency.

#### **4.4.3 Investment cost**

This process of change will require significant investment. Areas which will require detailed assessment include:

- Preparation of a robust business case clearly setting out:
  - A clear strategy and revised structure for the support services
  - Measurable objectives for the change programme
  - The tasks to be undertaken
  - Key roles and responsibilities for delivering the change programme
  - Timescales
  - Expected costs and benefits
- Recruitment, training and redundancy costs to ensure that the right people are in the right positions
- Investment in technology to address the current patchwork of systems and work-arounds and to provide easy access to standard guidance and procedures
- Recruitment or appointment of change management specialists to help guide the agency through the process
- Management and staff time across the organisation in implementing and adopting the defined changes

#### 4.4.4 Level of change

As indicated above, the level of change could be significant and needs to be seen as an organisational change rather than simply limited to the two service departments.

It is important that the changes are driven by a strategic vision of what the services are meant to be delivering in line with the Agency's overall strategic objectives.

#### 4.4.5 Access

This option is readily accessible to the Agency but demands full and visible commitment by the Board and senior management to be effective. Without this full commitment the impact of any changes is likely to be diluted.

The scale and nature of the change programme needed may require the Agency to recruit a change management specialist with sufficient experience and skills to deliver the benefits expected from the programme.

#### 4.4.6 Risk

There are risks involved associated with this option including:

- The lack of senior management support diluting the impact of the change programme
- Approval of a weak business case resulting in ineffective project controls
- Poor project management resulting in cost overruns and reduced benefits
- Resistance from middle management and staff

However most of these risks are readily mitigated through effective change management.

#### 4.4.7 Summary

Our assessment of this option is therefore:

Criteria	Rating (HR)	Rating (Finance)
Impact on efficiency	Yes	Yes
Investment cost	Medium	Medium
Level of change required	Medium	High
Access to option	Yes	Yes
Risk	Medium	Medium

#### 4.4.8 Conclusion

Regardless of the ultimate structure of the HR and Finance departments and the format of service delivery, internal change and improvement within Historic Scotland is a pre-requisite. We have therefore rated this option as: **IMPLEMENT.**

## **4.5 Partner / collaborate with other organisations**

### **4.5.1 Overview**

This option covers working with other organisations in the development and adoption of common processes and systems with the objective of introducing best practice and as a means of working towards a potential shared service.

This option relies on developing good working relationships with others, such as those interviewed during this review, while ensuring that whatever changes are adopted meet Historic Scotland's own strategic requirements.

### **4.5.2 Efficiency**

This option could be considered as an extension to the previous option with an element of compromise in some areas where commonality would be in the longer term interests of all parties. As such efficiencies are likely to be similar to those described above.

It is important to note that this is not a substitute for much of the change management work which will be required. It is simply recognising that working with others can produce a common best practice model which can be then used as the basis for introducing the changes needed within Historic Scotland.

### **4.5.3 Investment cost**

As with efficiency, the investment costs are likely to be similar to change management. However, there may be some cost savings in the development of some of the processes and procedures, if these already exist in other organisations, or the development costs can be shared.

### **4.5.4 Level of change**

The level of change will be similar to that envisaged for a standalone change management programme as the broad objectives are the same.

### **4.5.5 Access**

A number of organisations, including those interviewed as part of this review, have indicated an interest in entering into discussions with Historic Scotland about potential collaboration. However, such indications of interest need to be fully explored if this option is to be viable.

### **4.5.6 Risk**

There are additional risks involved in this option resulting in the involvement of external parties over whom the management of Historic Scotland have less control. However, these

should be able to be managed through clear rules of engagement and close project management.

#### 4.5.7 Summary

Our assessment of this option is therefore:

Criteria	Rating (HR)	Rating (Finance)
Impact on efficiency	Yes	Yes
Investment cost	Medium	Medium
Level of change required	Medium	High
Access to option	Yes	Yes
Risk	Medium	Medium

#### 4.5.8 Conclusion

While significant organisational change is required to enable Historic Scotland to seriously consider sharing services with other organisations, work can commence in opening, or continuing, dialogue with the comparative bodies identified during this review.

Significant lessons can be learned from the range of experience of each of the organisations in transforming their own support services and living through the process that Historic Scotland is about to embark upon. Additionally, Historic Scotland can begin the process of convergence of business processes with comparative bodies, a key component in moving towards a shared service model. We have therefore rated this option as: **PROGRESS**.

### 4.6 Outsource to external service provider

#### 4.6.1 Overview

Outsourcing is where Historic Scotland would contract with a third party for the provision of all or part of the HR and Finance functions. There are a number of potential suppliers of such services mostly in the private sector.

#### 4.6.2 Efficiency

Efficiency savings using outsourced contracts rely on ensuring that there is a clear understanding of the current costs of the services being outsourced, and contract terms which allow the Agency to benefit from efficiency gains made by the outsourced partner.

As Historic Scotland cannot currently define the services or costs involved it would not be possible to assess any potential efficiency gains to be made from outsourcing the services.

Historic Scotland currently outsources payroll processing to ICS Computing. The experience of the Agency in relation to service quality issues encountered and the resulting high cost of the service<sup>1</sup>, suggest that an outsource contract is not appropriate for Historic Scotland. Even if the high cost of the service was partly explained by the complexity of the pay structures within the Agency, this would be another reason that outsourcing may not be the correct vehicle to deliver increased efficiency and control.

#### **4.6.3 Investment cost**

An effective outsourcing contract would require investment in both contract negotiation and in implementing significant changes arising from the adoption of the outsource partner's prescribed set of systems and processes.

#### **4.6.4 Level of change**

As described above, the Agency would have to adopt a prescribed set of systems and processes which may or may not deliver the Agency's strategic objectives.

#### **4.6.5 Access**

There are a limited number of private suppliers who would be able to provide the level of services required by Historic Scotland. A number may not be willing to consider the Agency as a potential customer due to the current state of the internal processes or would enforce high costs for such a contract.

#### **4.6.6 Risk**

If anything, the risks attached to outsourcing are higher than shared services. Entering into an outsource contract when the end-to-end processes are not robust, or the contract management is not robust, can prove very costly to the organisation in terms of sorting out the resulting process issues or filling the unforeseen gaps in responsibility. Additionally, without a well thought out and water tight contract, with appropriate service levels tied to financial penalties, quality can reduce rather than improve.

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<sup>1</sup> The HR metrics group benchmark information for the total cost per payslip, despite concerns over the quality of this data, shows that payroll is costing the organisation significantly more than other organisations

#### 4.6.7 Summary

Our assessment of this option is therefore:

Criteria	Rating (HR)	Rating (Finance)
Impact on efficiency	Unknown	Unknown
Investment cost	High	High
Level of change required	High	High
Access to option	Yes	Yes
Risk	Very high	Very high

#### 4.6.8 Conclusion

The feedback that we received from Serco confirms the view that any organisation wishing to outsource a small or large part of its back office functions, needs to reach the same position as described for the shared service option, in terms of simple, efficient and customer focussed service delivery. Again, Historic Scotland has not yet started this process and, therefore, is not in a position to pursue this option.

We have therefore rated this option as: **REJECT FOR NOW.**

### 4.7 Outsource to the Scottish Government central functions

#### 4.7.1 Overview

In addition to the use of private suppliers, the Scottish Government could offer a potential outsourced solution through its centralised services. These have been adopted by a number of smaller public sector bodies as an alternative to developing their own.

#### 4.7.2 Efficiency

The efficiencies to be gained from adopting the Scottish Government services would be dependent on how closely these services meet the defined requirements of Historic Scotland and the method of charging which the Scottish Government might adopt given the scale of the Agency's potential requirements. Neither of these areas are sufficiently clear to allow an effective assessment of the potential efficiencies to be made.

#### 4.7.3 Investment cost

As mentioned above, the investment cost would be a function of both the changes which would be needed within Historic Scotland and the basis of charging to be adopted by the Scottish Government.

#### **4.7.4 Level of change**

As with a private company outsource contract, Historic Scotland would need to adopt the processes and systems required by the Scottish Government. However, given that some of these, such as SCOTS, are already common, the level of change may not be as significant as a private company.

#### **4.7.5 Access**

Neither the Scottish Government HR nor Finance services are currently available as a true outsourced solution. However, the HR service is currently developing service level agreements / partnership agreements in preparation for offering the service to a wider audience. Based on our discussions with representatives of the Finance service, it is not likely to be in a position to offer a full outsourced service in the foreseeable future, as there are currently no plans, which they are aware of, to move towards a formalised offering similar to the HR service.

#### **4.7.6 Risk**

The risks associated with the Scottish Government solutions cover both the changes that will be required within Historic Scotland to adopt the services and the risk that these solutions could be enforced on all Executive Agencies.

While the first can be managed as part of a planned change management programme, the latter is dependent upon the Board and the senior management having a sufficiently robust business case for either adoption or rejection of the centralised service.

#### **4.7.7 Summary**

Our assessment of this option is therefore:

<b>Criteria</b>	<b>Rating (HR)</b>	<b>Rating (Finance)</b>
Impact on efficiency	Unknown	Unknown
Investment cost	Medium	Medium
Level of change required	Medium	High
Access to option	Yes	Yes
Risk	High	Very high

#### **4.7.8 Conclusion**

The offerings from each of the central functions are markedly different in nature. The HR shared service unit is looking to offer a full shared service / outsourcing option to public bodies within Scotland. It has structured itself in line with best practice, streamlined and documented its processes and invested in technology to deliver efficiency. Critically, it is

customer focussed. However, it is still at a relatively early stage in terms of its evolution and is therefore high risk.

The Finance service is clear that its main customer is the core Scottish Government, but that it offers some services to other public bodies. The core offering centres on the SEAS system, which is essentially a hosted solution, rather than a shared service. Based on our discussions, the Finance service indicated that it would be unlikely to be in a position to offer Historic Scotland an outsource option in line with best practice from the private sector.

Whilst the HR shared service unit offering is closer to a commercial outsource offering, neither they nor finance, have all of the key elements required to be a viable option for Historic Scotland at this time, even if the Agency was in a position to seriously consider them. However, similar to the option to collaborate with other public sector organisations, we believe that further dialogue with the HR service would be beneficial going forward.

We have therefore rated this option as: **REJECT FOR NOW** (for Finance) and **PROGRESS** (for HR).

#### 4.8 Summary

The conclusion that we have reached as a result of this review is that organisational change within Historic Scotland should be pursued through a process of purposeful evolution rather than revolution.

Undertaking a programme of radical organisational change driven by clear strategic objectives and service definition, in parallel with increased collaboration with other public sector bodies, will deliver increased efficiency and effectiveness for Historic Scotland and place them in an excellent position to exploit opportunities to share services or outsource in the future.

A summary of the conclusions above is shown in the table below, based on the following colour coding:

Colour code	Description
GREEN	Implement
AMBER	Some preliminary work can be undertaken in anticipation of a move towards shared services / outsourcing
RED	Reject for now

Option	Rating (HR)	Rating (Finance)
Maintain the status quo	RED	RED
Internal change and service improvement	GREEN	GREEN
Partner / collaborate with other organisations	AMBER	AMBER
Outsource to the Scottish Government central functions	AMBER	RED
Outsource to a private sector provider	RED	RED

In the next section we outline an action plan for taking the available options forward.