



# Shared services and joint working – maximising the economic case

This briefing is one in a series of briefing papers being issued by APSE around efficiencies and how local authorities can deal with budget constraints and maximise their opportunities such as income generation. As councils face tougher times and unprecedented financial constraints, APSE have brought together some examples of where efficiency savings have been made and some examples of best practice. Whilst many ideas are transferrable between councils, APSE recognises that local circumstances will vary and some routes may be more appropriate to some than others. This briefing paper relates to shared services and joint working and includes case studies where a combined saving of over £20 million has been made.

## Key issues:

- An outline of what shared services involves and why councils share services
- Contains a range of case studies for front line services where a combined saving of over £20 million has been made
- Further information and support is available from APSE by contacting [djohns@apse.org.uk](mailto:djohns@apse.org.uk)

## 1. Introduction

Shared services are often seen as a means of gaining economies of scale, whether this is through shared management, shared investment or shared risk. They can be used to pool knowledge between organisations whilst retaining local sovereignty. Issues that need to be considered when looking at a shared services approach include:

- The service imperative – does it render services more responsive, citizen focussed and localised?
- The cost imperative – the impact of the recession has resulted in 25% cuts in some council services and is there increased pressure on front line services? Has demand increased?
- The efficiency imperative – can we deliver 'more for less'?

This briefing paper looks at some of the models of shared services and draws on real examples for front line services where both financial and organisational savings have been made.

## 2. The scope of shared services

### *(a) Shared services models*

Shared services models can vary from simplified models such as:

- Informal; such as the sharing of information and sharing of management resources
- Administrative; such as a joint board/committee of delegated power (agency agreement)
- Contractual; such as a 100% public jointly owned company, a public/private partnership or public to public service delivery contracts

More complex variations include jointly procured contracts with public or private providers; joint delivery under a contract with a merged service provider, with an SLA or merged clients; an internal service delivery company or external trading company; secondment models; transfer models; or lead authority models. There are, however, some important legal issues, including the use of trading and charging powers such as The Local Authorities (Goods and Services) Act 1970 or Local Government Act 2003. Other legal issues include the doctrine of ultra vires, public contract regulations and state aid rules.

**(b) Appraising the options**

Support on options appraisal and specialist advice is available through [APSE](#). However, a basic model for option appraisal is shown below:

	Public/private company	Public/public company	Joint board/committee
Potential for savings	High but some savings lost as profit to partner	High but some savings will stay with company	High but all savings accrue to councils
Risk	Highest as long term contract with low level of control – budgets ring fenced for term	Medium but still a contractual environment and budgets ring fenced	Lowest as no contracts and high level of flexibility
Impact on service delivery	Highest risk of disruption and financial risk	Medium as still contractual environment	Lowest as high level of flexibility and capacity to tailor to needs
Acceptability	Lowest as unlikely to be acceptable to workforce and may alienate members and public	Lower as services retained in public interest	Highest
Implementability	Complex, lengthy, expensive	Less complex but will still need contract – may result in increased transactional costs	Easiest option to implement
Control/Governance	Contract overtakes member control	Contract/ legal obligations to company - conflict of interest	Retain member control – but still potential for conflict of interest

### 3. Opportunities for local authority services

Set out below are a number of case studies from local authority services throughout the UK which show real financial and organisational benefits from sharing services. The case studies include a mix of administrative models and more formal arrangements. Further details, including contact information and case studies for other services, are available to APSE member authorities by contacting the APSE office on 0161 772 1810.

- **Case study 1: Joint Head of Highways and Infrastructure.** In 2009 two councils in the north of Wales appointed a Joint Head of Service for Highways and Infrastructure. This has enabled a programme of work where teams who are delivering similar

functions have been developing many models of collaborative working ranging from formal restructuring into one team to implementing 'quick wins'. The benefits have included sharing manpower, joint performance management, improved training opportunities, partnership governance that includes members and savings from software licenses, vacant posts and deals with utility companies, totaling over £200k.

- **Case study 2: Trading arm for 3 councils.** A commercial trading arm was set up for 3 Councils in Scotland in 1996, which undertakes construction, cleaning, catering and vehicle maintenance services on behalf of the three Councils. There have been significant financial benefits for the Councils in adopting the shared service approach with over £11M being returned to the Councils as surplus over the last 12 years. Less easily quantified are the savings attributable to greater buying power, the expertise of dedicated support service personnel in IT, Finance and Personnel, the reduced overhead costs of a larger organisation and the benefits of flexibility as resources are deployed across a wide geographic area.
- **Case study 3: Merging back office services.** Two district councils on the east of England are currently working towards merging their back office services (finance, human resources, ITC, revenues and benefits, and customer service functions). Detailed work towards the shared services model will begin in the two districts in autumn 2010 and is due to be completed by March 2011. They have decided to deliver the merged services in-house and establish a jointly owned company. The authorities expect to save £1.8 million in total per annum and also see improvements in services, such as faster benefits processing times and greater flexibility during periods of high demand for services.
- **Case study 4: Shared services for finance and HR.** Early in 2006, a county council in the south of England proposed introducing a Shared Services model to deliver its finance and HR services. The Council's objective was to consolidate the activity and resources dedicated to Finance and HR in order to streamline processes to improve performance and efficiency. The project was a major change. It involved relocation, engaged in excess of 500 staff, and resulted in approximately 130 staff reductions. The gross saving from improved work practices and systems is £4 million per year.
- **Case study 5: Joint working partnership for the delivery of their local services using a single workforce and senior officer structure.** In 2007, two district councils in the south of England formally agreed to enter into a joint working partnership for the delivery of their local services using a single workforce and senior officer structure. The two councils have one chief executive, one management team and a joint workforce of about 1000 and many of them work in shared teams. The partnership is set to make savings of £2.2 million pounds in this financial year and expects to make a total of £6.4 million pounds in savings by 2012/13. The savings have been made without losing any front line services and by finding more efficient ways of working. *(Note: this case study is an example of joint management structures which will be explored further in another briefing paper in this efficiency series).*
- **Case study 6: Highways related professional services.** Engineering consultancy departments at three English counties saw opportunities for greater collaboration to secure significant efficiency improvements and to deliver even better services to their communities. Following a rigorous procurement exercise in 2006/07, a private sector engineering consultant was selected to support and complement in-house services. This involves working under an innovative 4-year framework contract that commenced in July 2007. The partnership is the first of its kind in the UK. It has been described as an 'upside down framework': instead of one authority procuring work from one of three or four providers, the three authorities commission work directly from a single, shared consultant. There have been estimated efficiency savings of around £1m over a 2-year period. The success of the partnership should not be

measured in cost savings alone. The alliance is achieving national recognition for its achievement on a number of fronts including the harmonisation of highway specifications, partnership working and a groundbreaking approach to the challenge of climate change.

- **Case study 7: Joint management of the direct labour workforces (refuse collection and recycling, street cleansing, building cleaning, transport, grounds maintenance and building works).** Two district councils in the south of England developed a partnership to provide joint management of the direct labour workforces employed within their respective councils. One of the district councils, having brought the refuse service back in house, lacked management capacity to develop services in accordance with its ambitions. The other district council had continued to deliver direct services through a Direct Labour Organisation (DLO) but was looking for strategic partnership opportunities in order to save on management costs. Governance arrangements involved: a Joint Executive Committee; a joint scrutiny committee; and a joint Direct Services Organisation headed by a partnership director. The partnership worked to a business plan agreed annually by the Joint Committee and approved by both councils. Financial outcomes included annual savings in six figures from a combination of management savings (for example, through shared managers for some services), and procurement efficiencies. Operational outcomes included an improvement in performance levels. *(Note: this partnership arrangement has now ceased).*
- **Case study 8: Property services alliance between bordering councils.** This is an alliance between two district councils in central England covering asset management, design services and property maintenance. The partnership includes management of facilities (caretaking, cleaning, security, public convenience cleaning and maintenance, responsive day to day maintenance and planned maintenance), transfer of staff and will operate for a period of 5 years with a 2 year extension. The alliance is intended to save costs through shared best practice.
- **Case study 9: Organisational transformation.** This three-year initiative at a northern metropolitan council aims to rationalise the authority's property portfolio, improve staff productivity and enhance citizens' access to services. New technology and ways of working are enabling the number of administrative buildings to be reduced from 34 to six, which means running costs can be cut and revenue raised from selling off property. More flexible work methods – such as hot desking, home working, mobile working and nine days per fortnight work patterns – are being implemented in conjunction with technology improvements. Between January and July 2007, office space was reduced by 32% and 127,000 commuting miles were saved, equating to a reduction in CO2 of 35 tons a year. The council saw 15% gains in productivity in e-services alone, with cashable savings of £81,000 pa. The authority had to slow down its asset disposal plans as a result of the economic downturn, but hopes to raise £18 million receipts from future sales of buildings.

## 4. Conclusion

The case studies above collectively demonstrate financial savings of over £20 million achieved through shared services models. Further support is available from APSE via obtaining these full case studies, additional support in conducting an options appraisal or service review, skills development and training, as well as advisory services. Please contact [djohns@apse.org.uk](mailto:djohns@apse.org.uk) for more information.

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