



Shared services and management

A guide for councils

Acknowledgements

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- Essex County Council officers
- South West Improvement and Efficiency Partnership.

The Local Productivity Programme aims to help councils move beyond efficiency to transform the way local services are delivered for the benefit of local communities. It supports councils to improve productivity, brings councils together to share innovation and learn from each other and engages central government and partner organisations in a debate about longer-term and more radical options. For more information please contact: productivity@local.gov.uk

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Foreword by Councillor Gary Porter

The current economic climate and the resultant Comprehensive Spending Review in 2010 clearly presents local government with substantial financial challenges. But the government's Big Society agenda presents councils with even greater opportunities; to do things differently and to involve our communities in the design and delivery of the services that they want.

We are all familiar with the long-established increasing need to do more with less. Sharing services enables us to do this by reducing duplication of effort and expenditure, freeing up money from back office processes to be spent on improving front-line services. Services don't have to be shared with other local authorities. There are examples of councils sharing with other public sector agencies, as well as with private sector bodies and with community and voluntary sector organisations. In many cases nationally, the Big Society is already well underway on the ground.

There is a wide array of shared services models already operating across the country. The varying models each have different advantages and disadvantages, and one will not suit all councils, localities, or types of service provision. The range of choice out there means that there is very likely to be an effective option for the opportunity you are considering. It also means, however, that it can be difficult and time consuming to identify the best solution.

This guide is designed to support anyone with an interest in implementing shared services and management to understand and address the issues involved. It draws on the experiences and lessons learnt of those who are already sharing services. It will also help those councils that are already sharing to reflect on their experiences so far and consider their next step.

The development of the guide has been based on the experiences of leading members and officers from a large number of local authorities who have undertaken some sharing activity. It therefore provides the reader with practical advice on how to address common technical and managerial issues that may arise. Crucially, it also aims to support the reader in tackling some of the trickier political aspects of sharing services, such as accountability, sovereignty and shared governance arrangements.

Councillor Gary Porter

Leader, South Holland District Council

Member Champion for the Local Productivity Programme Shared Services workstream

Foreword by Joanna Killian

We are in an era of fundamental service rethink. The economic situation has led to a Comprehensive Spending Review that presents significant financial challenges to local government. Couple that with the increasingly complex requirements of an ageing population and the heightened expectations of a public well used to getting services on demand through a range of technologies, and it is clear that maintaining the status quo is not the answer.

One solution is the increasing adoption of shared service arrangements between local authorities and with other bodies from the public, private or community and voluntary sector. These arrangements can bring financial benefits to councils through the reduction of duplication. They can also improve customer services; enabling a customer to receive the service they need in one place, without having to contact multiple agencies. However, operating shared services effectively can require a completely new mindset for local authorities.

Sharing services is not new; this workstream has found some really exciting shared services work, delivering better value and customer impact. We know there is a growing appetite to accelerate this model of working. But we also know that opting for shared services or new shared management arrangements brings with it many challenges and dilemmas. It requires bold thinking, brave decisions and is not the easy panacea.

I am leading the Local Productivity Programme Shared Services workstream partly because I am in the still unusual position of being chief executive of both a county council and a borough council. My experiences of leading two organisations and of initiating and delivering various other shared services projects have largely been borne out by the experiences of the other members of the workstream. One of the key barriers that we have recognised is that often it is far too easy for an organisation to spend a long time creating a detailed business case before it has first agreed the broad key principles, as well as the deal breakers. Making tough decisions in a shorter period of time has many merits. There are also many compelling examples where more organic, speculative activity has produced some great results for our customers. But finding the balance can be tricky. Which is where I hope that this guide will really make a difference; enabling members and officers in councils to learn more about the opportunities to achieve savings and improve services through sharing.

Joanna Killian

Chief Executive, Essex County Council and Brentwood Borough Council

Chair of the Local Productivity Programme Shared Services workstream

Introduction

The context for change

The October 2010 Comprehensive Spending Review hit local government hard. The reductions in budgets of some 28 per cent over four years and the real impact that front-loading of cuts will have for many authorities, means the sector will need to demonstrate extraordinary leadership over the coming years.

Shared services can mean many things. While traditionally thought of as back-office arrangements – whether transactional, operational or professional – councils and other public services are increasingly looking to shared senior management arrangements and considering joint-venture relationships with other public sector bodies and the private sector.

For all this, councils are well placed. Local government has a track record of innovation, of delivering efficiencies, and of serving communities well. However, clearly, the sector cannot rest on its laurels; the public service landscape will alter dramatically over the lifetime of this Parliament. Councils need to respond, showing how they are able to protect communities and the services they value while ensuring the best possible value for money during a period of retrenchment and uncertainty.

What should local government be about?

Few of us would suggest that it is about processes or managerial structures.

Many would agree that local government is about providing community leadership, shaping places, protecting the vulnerable and enabling individuals, communities and businesses to achieve their potential.

Useful resources

The Local Productivity Programme has developed a short guide to new and emerging models of public service delivery. This is available from the Local Productivity Programme Community of Practice (CoP):

www.communities.idea.gov.uk/c/7177320/doclib/get-file.do?id=7743441

As Community Budgets become a reality, new models of service delivery will emerge. Transforming public services will require greater integration across public sector partners to address important issues of high need and complexity. Councils will need to make an even greater shift away from their historic role as service providers to become commissioners of services. Some services will be delivered by new social enterprises, some by the private sector. Some councils will work in closer partnership with others and some may become fully merged. Amid all these possibilities there is the potential for more shared services and management – even if it's just one step along the way.

This guide focuses particularly on considering and taking forward shared services and management. Sharing is not pain free. It will require determination, leadership and commitment from officers and members. But the potential size of the prize can make the journey worthwhile. No-one will thank local authorities for cutting public services rather than achieving savings and efficiencies through sharing. The sector needs to show it is capable of responding to this challenge. That journey starts here.

What's so important about sharing services and management?

Sharing services and management across public sector bodies is not new, but is receiving growing attention. As the work undertaken to develop this guide shows, there are hundreds of examples of shared services and management already in place nationally. And there are many more at the early stages of development. In many cases, sharing has been seen as an opportunity to make services more efficient by releasing economies of scale. In other cases, sharing has grown

out of a desire to improve services for local people, making them more accessible and joined up. Despite the range of benefits that sharing can bring, data suggests that around 60 per cent of councils do not yet share any of their services or management. Even in functions where the potential to deliver benefits from sharing has been amply demonstrated – for example, around 10 per cent of councils have a shared revenues and benefits service – the majority of councils continue to operate an in-house service.

Councils that are already sharing some services or functions also have scope to do more. This could mean widening or deepening existing shared service arrangements, and looking at new areas for sharing, including public-facing as well as back office services. As councils such as Hambleton and Richmondshire, Adur and Worthing, or South Oxfordshire and Vale of White Horse have shown, there is scope for councils to share extensively and strategically for the benefit of taxpayers and service users. Some councils, for example, Mid Suffolk and Babergh are going even further and considering full mergers.

The work and examples highlighted in this guide demonstrate that well-managed sharing has the potential to deliver major savings. For example, Northamptonshire and Cambridgeshire County Councils' joint Enterprise Resource Planning initiative has already delivered £9 million of savings and plans to reduce service costs by 26 per cent within five years. Savings from sharing can come in a variety of ways, for example:

- avoiding duplication
- securing economies of scale from greater utilisation of fixed assets
- increasing purchasing power that results in procurement savings.

Sharing can also bring other benefits, such as:

- increased investment, for example, in more advanced IT systems, as partners' resources are pooled
- adoption of best practices across service delivery partnerships
- opportunities to redesign services to better meet the needs of users
- improvements in service performance, for example, improved response times
- opportunities to implement new ways of working and management arrangements
- more interesting, varied, or specialised work for staff – aiding recruitment and retention.

What is this guide for?

This guide has been developed by local authorities for local authorities to provide support for anyone in councils who wants to learn more about the opportunities to achieve savings and improve services through sharing.¹ It will help shape your thinking, highlighting areas to consider and challenges to overcome. It aims to:

- raise awareness of the opportunities presented by sharing services and management among a wider audience of council officers and members
- identify the questions councils will need to answer to establish if sharing is right for them
- identify the issues councils will need to address to successfully implement their sharing ambitions
- highlight a wide range of data, tools and publications that will be useful to councils considering and implementing sharing

¹ Details about who's been involved in developing the guide can be found in Appendix 1.

- share and encourage learning about sharing across local government
- help those councils that have already started sharing to reflect on their experience.

The guide is not is a map from where you are now to where you need to be. Each council will need to decide its own strategy, direction and destination for shared services and management. These will not be the same. To be a provider or commissioner of services, to adopt incremental or transformational change, to share a wide range of services or a few – all are valid approaches.

Who is the guide aimed at?

The guide is aimed at anyone in councils who wants to know more about how to evaluate and develop shared services and management. It will be of particular interest to service managers and professionals who want to explore sharing in their areas of expertise. It will also be of interest to elected members and senior managers who want to deepen their understanding of issues around shared services and management. It contains material that will be relevant whether you have no experience of shared management or services, or are already involved in some shared arrangements.

What does the guide contain?

The guide brings together existing knowledge on shared services and management from a wide range of sources. These include:

- research, reports and guidance about sharing – details of which can be found in ‘Sources of further information’
- discussions with elected members and senior council officers that are already involved in shared arrangements
- case studies describing the experience of councils that have implemented shared services and management.

The diagram on the next page sets out what is covered in each section. If you are viewing the guide online, you can use the structure diagram to hyperlink to specific sections by clicking your mouse on any box.

The main body of the guide is structured around four key questions:

- What do we want to achieve?
- Is sharing the right option to achieve our aims?
- How can we implement our sharing ambitions?
- What have others been doing?

The final section gives details of further sources of information and guidance on shared services and management.

Useful resources

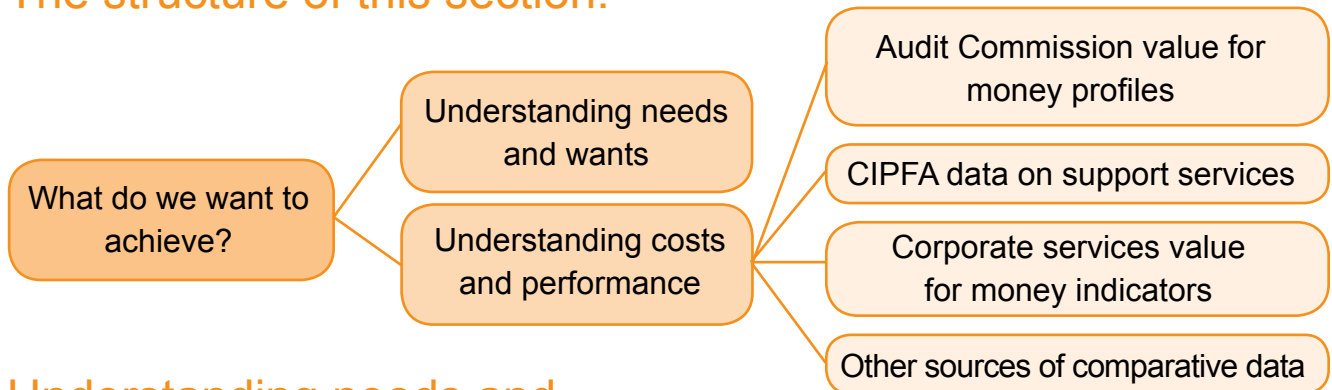
At different points throughout the guide we highlight relevant further reading and tools to help you understand and address specific issues.

The structure of the guide



What do we want to achieve?

The structure of this section:



Understanding needs and wants

Sharing management or services is not an end in itself, but one of a number of means by which councils can achieve their strategic ambitions. Before councils ask themselves whether sharing is the right option for them, they need a clear idea of what they are trying to achieve. This means having a good understanding of:

- the needs and wants of local communities for services now and in the foreseeable future
- the scale of the financial challenge facing the council (and other public services) in the short, medium and long term
- the current range of services provided to meet local needs, their cost and effectiveness
- the opportunities to significantly transform the way that public, private, not-for-profit and voluntary sector service providers work, singly or collectively, to address local needs.

Clarity in these areas will provide the basis for assessing a range of options for action. The options will vary depending on:

- what you are trying to achieve – for example, improved cost-effectiveness, changes in the quality or quantity of services provided, enhanced resilience, greater personalisation of services
- which functions or services you are reviewing – whether they are, for example, statutory, discretionary, public-facing, back office or transactional services
- political priorities – the importance of, for example, maintaining services for particular groups of users or ensuring services (and jobs delivering them) are provided locally rather than remotely.

In broad terms, the options available to councils will include:

- ceasing to provide a function or service – and in some cases encouraging and enabling the private, not-for-profit or voluntary sectors to take over service delivery
- re-engineering in-house service provision
- outsourcing the function or service
- entering into shared management or service delivery arrangements with partners.

Useful resources

In 2010, the Putting the Frontline First Taskforce published a report challenging local authorities to take a strategic approach to managing their budgets and to take urgent and radical action to transform services. In doing so, the report sets out strategic questions for local authorities to evaluate themselves against, and a framework of actions, tools and resources to help councils protect frontline services. You can access the report, 'Putting the frontline first: Meeting the local government challenge' from:

www.communities.gov.uk/publications/localgovernment/puttingfrontlinefirst

Understanding costs and performance

There is a range of data and tools that can help you analyse the current cost and performance of services over time, or in comparison to other councils. Where possible, analysis of cost-effectiveness should consider not just the outputs of services (what is delivered) but the outcomes that are achieved (what difference services make). Councils will also want to take account of service users' satisfaction and views on the quality of services.

Data analysis can help highlight functions or services that could be scaled back or delivered more cost-effectively. Your council will already be analysing costs and performance as part of discussions around corporate, service and budgetary planning so some of this information may already be available.

Data and tools are just the starting point for your analysis. Armed with knowledge of your council's spending and performance over time, and relative to others, you can begin the more detailed work of understanding why there are variations in costs and performance. Only then can you identify areas where potential savings can be achieved.

It is for you and your colleagues to decide:

- what data and tools you use to analyse performance and cost-effectiveness of services
- which councils (or other organisations) you want to compare with – for example, statistically similar authorities, geographical neighbours or all authorities nationally
- what levels of expenditure or service performance are acceptable, given local priorities and needs.

You can look at costs and performance in a number of ways, for example:

- for support services where similar functions exist, such as human resources, approaches could include comparing the percentage of organisational expenditure on those services both with other public and leading private sector organisations
- for directly comparable transaction based services, such as payroll, approaches could include unit cost benchmarking, such as cost per employee
- for statutory and non-discretionary services, such as adult social care, approaches could include benchmarking expenditure per head of the population taking into account factors that influence demand, like deprivation.

The sections below highlight three sources of data and tools that may be of specific interest to support the analysis of cost and performance:

- Audit Commission value for money profiles
- CIPFA data on support services
- Corporate services value for money indicators.

Audit Commission value for money profiles

The Audit Commission's value for money (VfM) profile tools help public bodies answer the question, 'Do we have a sound understanding of our costs and performance and achieve efficiencies in our activities?'.² The VfM profiles are a 'can opener' for highlighting areas where costs and performance may not be commensurate or where costs look high. The profiles

use comparative information about costs, service outputs and outcomes and track performance over time.

The Audit Commission has assessed VfM in terms of:

- Effectiveness – assessing the impact of spending by reviewing service outputs (what's delivered) and outcomes (what's achieved as a result). For demand-led services, the VfM profiles review whether demand is being managed through effective prevention measures. Examples of this might include reducing the need for residential accommodation for older people through targeted use of community services.
- Efficiency – assessing productivity (how much you get out for what you put in). The VfM profiles cover the efficiency of the service model, for example, where there is a choice, are services that are most efficient and have better outcomes being provided?
- Economy – assessing the cost of the inputs needed to provide a service.

The VfM profiles tool has sections for different types of organisations. The local authority VfM profiles tool covers the following service groupings:

- adult social care services
- children and young people
- culture and sport
- environmental services (waste management and street cleaning)
- housing services and benefits administration
- sustainable economy (transport services, highways, planning and other regulatory services).

² The VfM profiles tools will be available via the Audit Commission website until December 2012.

For each service grouping, the profiles start with an overview of comparative spend, performance and outcomes. This helps you to assess which services you want to explore and whether to drill down into the more detailed profiles. There is also contextual information to help you to understand relevant issues for assessing VfM for the service grouping. Using CIPFA's statistical neighbours as a comparator group, you can see how spend compares to authorities with similar demographic and deprivation profiles. This will help you to take account of local context. You can also compare performance against other groups of councils.

Useful resources

You can access the Audit Commission's VfM profiles tool from:

vfm.audit-commission.gov.uk

The VfM profiles were updated in February 2011 to include 2009/10 final outturn data.

Back office services

From December 2010 the VfM profiles included data on the cost of management and support services. This relates council spending on, collectively, finance, human resources, procurement, IT and legal services, to total service expenditure. It also allows councils to see how the costs of management and support services have changed over time.

Charging income

For some services, councils can recover some or all of the cost of providing services through the application of service charges. In setting charges for services councils make important decisions about which services should be subsidised and who should pay for services.

From February 2011, the VfM profiles tool incorporated data related to local authority income from sales, fees and charges. This data enables councils to get an overview of the pattern of income generation from charging across broad service areas, and changes over time. Councils can also compare their charging income with that of similar councils. The data will help councils consider whether their approach to charging reflects organisational aims and priorities and identify opportunities to recover a greater proportion of the costs of service delivery.

Useful resources

You can read more about the use councils make of opportunities to charge for services in 'Positively charged: Maximising the benefits of public service charges' at: www.audit-commission.gov.uk/charging

CIPFA data on support services

CIPFA has developed an annual survey to collect data on support services, including data on the extent to which these are shared. For the purpose of the survey, a shared service arrangement 'is where a common service is provided to customers in different parts of the same organisation or across organisations'. Data is supplied voluntarily by councils. The first set of data relates to the 2009/10 financial year.

For a range of functions the survey asks for data on gross expenditure and staff numbers (and the proportions of these resulting from shared services), budgeted savings from shared services and savings achieved to date. The functions included in the survey are:

- finance
- IT
- human resources
- property management/office accommodation
- legal services
- procurement services
- corporate services
- transport function
- contact centre
- senior management
- other.
- procurement
- communications (from July 2010)
- legal (from July 2010).

Useful resources

You can read about the corporate services VfM indicators at:

www.public-audit-forum.gov.uk/performanceindicators.pdf

More detailed information about indicators for each of the seven functions can be found on the Public Audit Forum website:

www.public-audit-forum.gov.uk

The data will be helpful in identifying the extent of sharing in different councils and the level of savings achieved and expected.

Useful resources

You can find out more about the support services survey on CIPFA's website:

www.cipfastats.net/general/supportservices (registration is required).

Corporate services value for money indicators

Another source of data that may be useful for councils wishing to compare their costs and performance on some back office functions are the corporate services VfM indicators developed by the UK public sector audit agencies. These voluntary indicators measure the value for money performance of (since July 2010) seven core functions:

- finance
- human resources
- information and communication technology
- estates management

Other sources of comparative data

Some organisations run benchmarking clubs that allow councils to compare performance with other public and private sector organisations. For example:

- CIPFA runs a number of benchmarking services, including children's and adults' social care and corporate services: www.cipfa.org.uk/benchmarking
- DLA Piper runs a public and private sector benchmarking service for human resources, including the corporate services VfM indicators mentioned above: www.dlapiper.com/uk/hr_benchmarking_services/
- The Association of Public Service Excellence (APSE) has benchmarking groups covering 14 frontline services including building maintenance, parks and leisure, highways and winter maintenance: www.apse.org.uk/performance-network.html

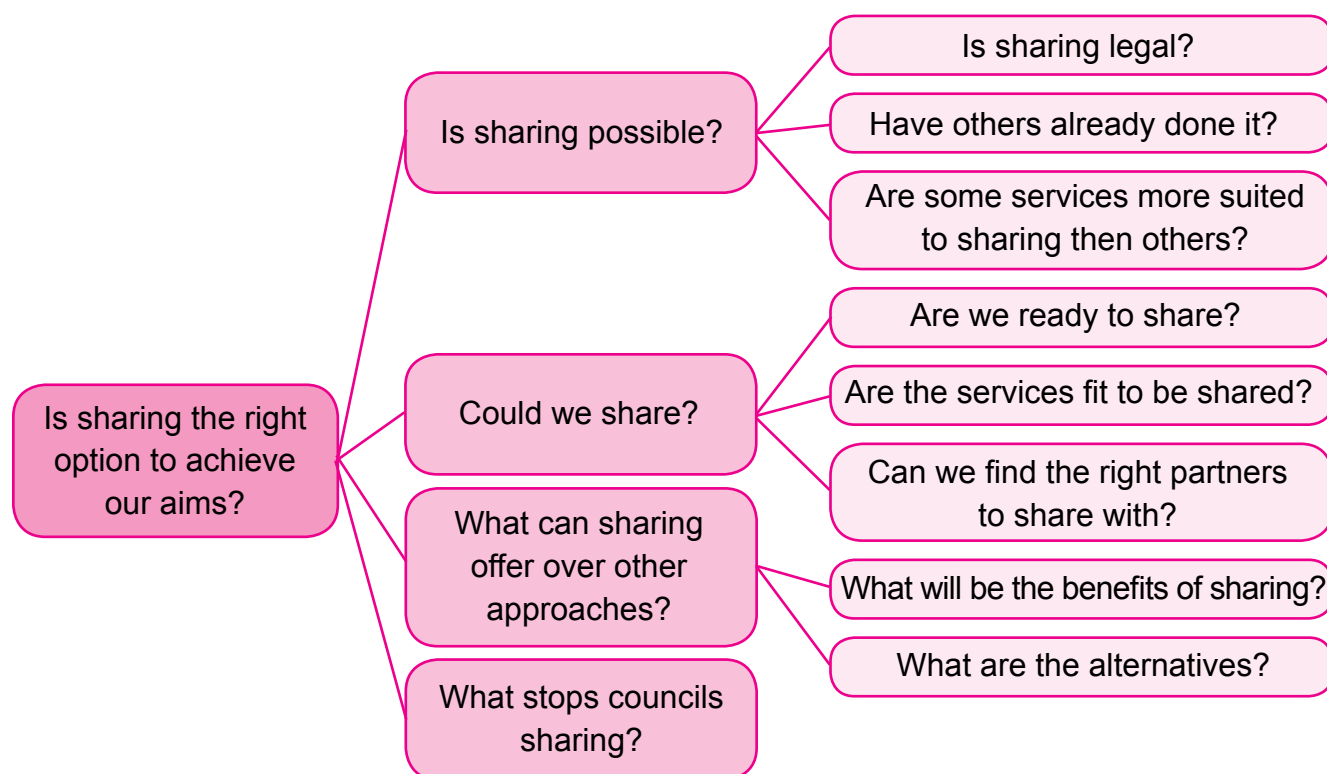
The Local Government Group is also in the process of developing a free of charge service called LG Group Inform which will enable councils to lodge and access a range of data to help them understand their performance and productivity.

Useful resources

You can find out more about LG Inform on the LG Group website:
www.local.gov.uk/inform

Is sharing the right option to achieve our aims?

The structure of this section



This section of the guide identifies relevant questions to help you assess whether sharing can help your council achieve its savings or improvement ambitions. The issues and questions identified in this section draw on existing research and the experience of a number of councils that have already entered into shared arrangements across a range of functions and services. Where appropriate, the guide suggests other sources of information that can help you think through the issues raised and identify appropriate actions to take.

Useful resources

In 2008, The Cabinet Office published 'The Shared Services Toolkit', based around five stages of a typical shared services journey. The first three stages are of direct relevance to the questions raised in this section of the guide:

- Vision – aims to help public sector organisations review and articulate their ambition for improving performance and assess the opportunity for improvements through the sharing of service provision.
- Business case – covers some of the key activities that will help organisations determine the detailed costs and benefits of their preferred option(s) and decide which option to progress.
- Design – covers some of the key activities that will help organisations design (or procure) their shared service solution.

For each stage the toolkit provides an overview, the key considerations, activities and outputs, templates, and examples.

You can access 'The Shared Services Toolkit' from:

webarchive.nationalarchives.gov.uk/20090414161943/http://cio.gov.uk/shared_services/toolkit/index.asp

Is sharing possible?

Is sharing legal?

Concerns about legality are often cited as a barrier to entering into shared arrangements. It is impossible to provide comprehensive legal advice in a document of this kind and councils should refer to their legal advisors for more detailed guidance when considering the options for sharing management and staff.

There are a range of provisions in law that make sharing possible. For example:

- Section 101 of the Local Government Act 1972 allows local authorities to delegate functions to other local authorities (subject to provisions contained in other legislation). Although the delegating authority remains ultimately responsible for the execution of the functions, Section 101 makes it possible for councils to perform functions on behalf of other councils.
- Section 102 of the Local Government Act 1972 makes a provision for councils to establish joint committees with other local authorities to discharge their functions. Joint committees are invariably established through a legal agreement signed by the participating local authorities. There are many joint committees in operation, delivering specific services such as revenues and benefits, building control, museums, highways and waste or a range of services as in, for example, the East Kent Joint Arrangements Committee (see the [East Kent Services case study](#)), Three Rivers and Watford, and Adur and Worthing.
- Section 113 of the Local Government Act 1972 allows a local authority to enter into an agreement with another local authority to place an officer of one at the disposal of the other for the purposes of discharging the latter's functions.
- Section 75 of the National Health Service Act 2006 allows local authorities and health bodies to pool funds and join together their staff, resources, and management structures to integrate the provision of a health-related service from managerial level to the front-line.

Councils also have powers to set up companies for the purpose of performing any of their ordinary functions. They will, however, need to be mindful of competition law and state aid issues. In their dealings with companies they own, wholly or in part, they must also observe the restrictions imposed by the Public Contracts Regulations 2006. There will be a number of other considerations in setting up a company and councils will need to seek specific advice before doing so.

A specific area of concern about legality is the ability of councils to share officers that fulfil statutory roles. All local authorities are required by law to have:

- a head of paid service
- an officer responsible for financial administration (known as the Section 151 officer after the provision in the Local Government Act 1972 which introduced the requirement)
- a monitoring officer – to ensure the lawfulness and fairness of council decision making, compliance with codes and protocols, and to promote good governance and high ethical standards.

There are already examples of individuals fulfilling these statutory roles for more than one local authority, in some cases as part of a secondment arrangement, for example:

- South Hams and West Devon councils share a chief executive who is the head of paid service for both
- Mendip District Council and Somerset County Council share a Section 151 officer – an arrangement established to provide appropriate financial advice to Mendip while its own officer completes the qualifications necessary to take on the role.

The question of legality is much less concerned with **whether** councils can share than **how** they share. For more information on different models of shared service see [What approach will we adopt?](#)

Useful resources

In 2010 CIPFA published 'Sharing the gain: Collaborating for cost-effectiveness'. (In this guide we refer to CIPFA's work as 'Sharing the gain'.) The report and its related online resources cover the key issues involved in making collaborative services happen, from developing a vision for change and appraising the options available, through to managing the process of implementation and setting up new delivery systems. You can access the tool and resources on CIPFA's website: www.cipfa.org.uk/sharingthegain Section 4 of 'Sharing the gain' discusses the different models of sharing that can occur between public bodies and between public and private organisations.

Have others already done it?

If you want to know what's possible it makes sense to look around at what others are doing. If you can't find another council that's already doing what you are thinking about, it either means you are ahead of the pack and breaking new ground or that there's good reason to suspect that sharing may not be the right approach in that particular case. If, on the other hand you can find a council that is already doing what you are contemplating then you'll have the opportunity to draw on their experience to accelerate your thinking and action.

Useful resources

The improvement and efficiency partnerships (IEPs) have compiled a compendium of examples of shared services and management across English councils. This highlights more than 200 examples of sharing across a wide range of activities including legal services, waste, customer services and integrated management with other public bodies.

You can access the compendium and an online map of the examples from: www.local.gov.uk/local-productivity

If you've not already started thinking about how you might share with others, the examples contained in the compendium – some of which are developed as case studies – could be a useful source of inspiration. Where possible, contact details have also been provided in case you want to find out more about an authority's experience directly.

The last section of this guide also provides links to a number of other reports and case studies that examine how some councils have achieved benefits from sharing.

Are some services more suited to sharing than others?

Advocates of sharing tend to take a view that there are few, if any, local authority functions that could not, in the right circumstances, be shared. Councils need to answer two questions when thinking about sharing:

- What benefits will sharing bring to this service?
- Is sharing the best way to achieve those benefits?

In the current financial climate, the primary rationale for sharing in many cases is the opportunity to achieve economies of scale. Examples include:

- spreading the fixed costs of a service over a larger number of units of delivery or activity – such as bringing different teams or organisations together under a shared management structure (see the [Bromsgrove and Redditch case study](#))
- driving down the unit cost of goods and services by purchasing them in greater volumes (see the case studies on [North and North East Lincolnshire procurement services](#) and the [South London Waste Partnership](#))
- enabling the introduction of more efficient working practices, perhaps linked to more advanced technology, that become economically viable when handling a larger volume of work (see the [South Hams and West Devon case study](#)).

Typically, transactional functions, like administering benefits claims or processing invoices, have lent themselves to achieving economies of scale. However, economies of scale can also come from contracting out suitable services to specialist firms that serve multiple organisations. This form of outsourced 'sharing' is more prevalent than shared service arrangements between councils and might in many cases be implemented more quickly. Despite the extra time and effort it might take, some councils have preferred to develop their own shared arrangements over outsourcing as a way of retaining jobs within their local area (as was the case for the Dorset-based [Revenues and Benefits Partnership](#)).

In 'Sharing the gain', (p6) CIPFA identifies a number of non-financial benefits that come from shared arrangements:

- Easier recruitment and retention of skilled staff – by creating organisational arrangements that offer new career routes and job opportunities. (In North and North East Lincolnshire's procurement service, combining separate teams created the opportunity for staff to specialise in different areas of procurement.)
- Improved investment and innovation opportunities – by pooling investment resource across partners (which might include private sector bodies).
- Having the scale needed to access best-of-breed technologies, business processes and management techniques. (In the case of South Hams and West Devon District Councils, joining up to deliver a shared revenues and benefits service provided the scale of activity needed to improve performance through service transformation.)
- Improvements in service quality – by using the above to transform the way services are delivered. (South Oxfordshire and Vale of White Horse District Councils saw significant increases in recycling rates after jointly procuring a new waste management service.)
- Providing service users with access to specialist staff and state of the art information systems.

Are these benefits likely to accrue in the services you are considering sharing?

It is important to bear in mind that there are differing views on whether the benefits of sharing described above are achievable in all cases. For example, some commentators disagree that sharing services to increase the volume of activity will bring economies of scale. They argue that a common result of higher-volume processing is an increase in the number of errors which then create additional work in resolving them. Proponents of systems thinking and other approaches to process improvement argue that economies can better be achieved by improving the flow of work rather than increasing the quantity of it. For example, eradicating unproductive activities in the processing of revenues and benefits claims will lead to shorter processing times and enable additional work to be taken on without additional cost. In a number of cases we have seen, the move to shared services has occurred in tandem with efforts to re-engineer business processes and transform service delivery. (See the Bromsgrove and Redditch case study.)

The Audit Commission's 2008 report 'Back to front' examined the approaches councils had taken to improve the efficiency of their back office functions. It found that councils used a portfolio of approaches including internal (good housekeeping), mutual (shared services), and external (outsourced) methods. Councils need to be clear about the best combination of methods for their individual circumstances.

Useful resources

There are a range of resources on the Local Government Improvement and Development website that examine other approaches to organisational redesign:

www.idea.gov.uk/organisationalredesign

For more information on systems thinking, and a critique of some of CIPFA's work on shared services you should visit the Vanguard Consulting website:

www.systemsthinking.co.uk/9-2.asp

The Audit Commission report 'Back to front' provides a number of case studies of how councils have used different methods to secure efficiencies in back office functions.

The report can be found at:

www.audit-commission.gov.uk/backtofront

If councils are going to seek out and embrace opportunities to share, politicians, managers and staff will need to be encouraged to want to do so. That means addressing the issues, and in some cases misconceptions, that breed reluctance. For many commentators, the most significant of these issues is trust between partners, or potential partners.

The impetus for shared services may come from officers, members, or both. Without buy-in from all parties, shared services are not going to work. Operational and political leadership needs to march in step.

Sharing requires leadership, from both politicians and managers. Without this staff and service users are unlikely to be persuaded of the benefits of moving to shared arrangements. Where there is a good working relationship between leaders or senior managers, practical difficulties and barriers are more easily worked through. The most successful partnerships have found that trust also needs to extend to council's executives, the wider council and ultimately staff. Putting on informal briefings for all the members of both councils helps build relationships and shared understanding. Some councils have set up project groups for redesigning different service areas and appointed a member from each council to these groups.

Real and perceived threats to sovereignty – the ability of members and in some cases officers to determine what happens in their areas – can be a major stumbling block to sharing. Good structures and processes are important to ensure appropriate levels of control over shared services.

Could we share?

Are we ready to share?

In much of the literature on sharing between organisations the main barrier is seen to be a lack of willingness to share. It's a view shared by many of the officers and members who have contributed to this workstream. This lack of willingness has a number of causes including:

- fear of losing control over services
- concern about reduced accountability to service users and taxpayers
- a lack of trust between potential partners
- concerns about the impact that sharing services will have on staff – in terms of jobs – and on customers – in terms of service quality.

But in some cases councillors and staff will need to be prepared to let go and take managed risks. Sharing, inevitably, means giving up some control to others. Current working practices may need to change. Compromises may need to be reached, for example in defining new standards for shared services. (The South Oxfordshire and Vale of White Horse case study makes clear that councils will need to concede on some of their requirements if agreements are to be reached with prospective partners.) As with any change process there is a chance that things may not go to plan or turn out exactly as expected. Making progress on these issues will require councils to take every opportunity to build trust between the organisations (and indeed individuals) involved.

Any council that is going to succeed in sharing will have to understand and address the objectives and concerns of its elected members, senior managers and staff. Councils will need to develop a strategy for gaining support for shared services. Leaders will need to make a sufficiently strong case for change to sustain the commitment of the organisation to delivering it.

Useful resources

Shared Service Architects Ltd has developed a range of tools to help organisations build the foundations for successful sharing. The Shared Service Architect's Toolbox provides 40 tools for building trust and vision between partners:

www.sharedservicearchitects.co.uk/content.php?cid=12

As part of its 'Sharing the gain' work, CIPFA has also developed an approach to assess 'change readiness' available from:

www.cipfa.org.uk/sharingthegain/download/Appendix_A2_2_readiness_for_change_12_02_10_V1.pdf

The associated self-assessment tool is available at:

www.cipfa.org.uk/sharingthegain/download/Appendix_A2_3_readiness_for_change_self_assessment_12_02_10_V1.doc

Are the services fit to be shared?

Where partners are contemplating sharing it is important that they have a good understanding of the performance and costs of their current services – and are willing to share this information with prospective partners. This will help them consider whether one partner or another is best placed to lead the development of a shared service – or whether external input is needed to help raise performance of the new shared service. It can also help ensure that the best of both is brought into the new shared arrangement.

Understanding current performance and costs also provides a benchmark to identify the level of service improvement or savings that are expected from the shared service,

against which progress can be monitored. In East Kent, the collaborating councils have agreed that they will only proceed with shared services where they:

- can achieve a 10 per cent reduction on the combined revenue budget by the second year of operation
- have a high degree of certainty about the continued quality of the service.

However, experience suggests that many councils will find it difficult to accurately quantify current costs in order to know what level of savings can be achieved and how these should be apportioned between partners.

While the move to shared services presents an opportunity to redesign services and implement new, more cost-effective ways of working, there may be some work that councils need to do ahead of the change. For example, to align policies or work practices, or to move to common IT platforms. The Dorset-based Revenues and Benefits Partnership found reconciling staff terms and conditions one of its biggest challenges.

This is also the point at which councils need to consider whether there are any existing contracts relating to a service that would prevent them from moving to a shared service arrangement until a specific date. The South London Waste Partnership and the South Oxfordshire and Vale of White Horse waste management services both had to address contract expiry issues.

Can we find the right partners to share with?

For a council to fulfil its sharing ambitions it must be able to find appropriate and, in some cases, sufficient numbers of partners with which to share. While most commonly sharing occurs between district councils, there are examples of councils sharing:

- across tiers of government in county areas – for example, Huntingdonshire District Council and Cambridgeshire County Council operating a shared call centre (see the Huntingdonshire case study)
- with police, fire, health and other public service providers – for example, in Herefordshire, between the council and health trusts, with shared management and a joint venture to deliver back office services
- with private sector firms, alone or as part of wider partnerships – for example, in Somerset, the Southwest One partnership between the county and district councils, the police and IBM, providing shared back office functions.

Party politics or organisational politics need to be overcome. If they are truly insurmountable, it may be more realistic to look elsewhere for a shared service partner. But politics can also make shared services easier. A shared belief in the efficacy of the approach can help push through barriers and bring political, as well as financial, dividends. It is unlikely that a purely technical approach to modelling the benefits of shared services will be enough to facilitate decision making without confidence that the political landscape is suitable.

Some of the factors that will influence councils' choice of partners – and which may give rise to issues that need to be addressed – are:

- Politics – whether the organisations and those leading them have similar ideas and aspirations and respect for areas of difference. It should be noted that the ability of councils to work successfully in partnership together is not evidently related to party politics.
- Culture – whether the organisations and those working within them have similar ways of doing business and expectations about standards of performance and behaviour. Even simple things, like ascribing different meanings to terms like 'senior managers' will require partners to agree some common definitions. The establishment of an arms-length company by East Lindsey and South Holland District Councils to deliver a range of services has been seen by them as an opportunity to transform the working culture at the same time as making changes to business processes.
- Geography – some sharing opportunities will be linked to geographical practicalities. For example, it may be difficult to progress shared services where staff would be required to travel large distances to undertake work. Many examples of sharing involve neighbouring councils. The strategic alliance between High Peak Borough Council and Staffordshire Moorlands District Council is unusual in that it crosses the border between two counties. There are a small number of examples of shared services and management between non-neighbouring councils.

On a more practical level there may be a need for partners to have some degree of alignment between their human resources

policies and practices, or to have compatible IT systems. While these are more easily addressed than the issues highlighted above, they may still require some time and investment to resolve before sharing can take place. The Dorset-based Revenues and Benefits Partnership found aligning staff terms and conditions a challenge and would, with hindsight, have done this prior to combining service teams.

Shared services need not be bound by geographies. In some cases it makes perfect sense to partner with a near neighbour – the bundling up of waste collection services lends itself to a neighbouring authority approach. The decision in Greater Manchester to create a single economic development entity is a prime example of a geographically focused approach making sense. The same doesn't necessarily hold for other services. For many functions, the focus can be on where the capability sits regardless of where the authority is headquartered. For example, Essex County Council partner with Slough Council to develop their library service – although the organisations are some 70 miles apart.

There can also be timing issues. Preferred partners may be tied in to other arrangements until a specific date (as in the case of the South London Waste Partnership). If the transition to shared arrangements happens quickly it may necessitate some staff being made redundant, increasing the cost of moving to a shared service. A slower integration might be able to avoid redundancy costs by taking advantage of vacancies as they arise (as in South Hams and West Devon). Many of the examples of shared chief executives have arisen from the need to fill vacancies when existing postholders have moved on. In some cases these have been interim arrangements

that have been made permanent. In others the move to share was a planned response, for example when a chief executive had announced their intention to retire. Councils will need to consider what the implications of timing will be for staff and customers. If large changes happen in short timescales, it can be difficult to maintain staff morale and service levels can fall.

In some cases several organisations might need to share to achieve the objectives – for example, to achieve the scale of operation needed to produce economies (where these exist). But the more partners there are the more attention will need to be paid to fostering good working relationships between them, and to considering the impact of partners pulling out. The shared arrangements in South Oxfordshire and Vale of White Horse and in East Lindsey and South Holland proceeded despite the loss of third partners during the initial discussion and development phase.

It may be easier for councils to seek out an existing shared service partnership to join than to start from scratch. The Anglia Revenues Partnership is an example of a shared service arrangement that has expanded to include new partners after it was established.

Consolidation and amalgamation of services creates the opportunity to stimulate greater private sector interest in collaborative shared services arrangements, for example, through joint ventures. This in turn provides an opportunity to offset operational and financial risks and also to access private sector investment.

As yet there are no examples of sharing chief executives and management across more than two organisations, despite there being many examples of shared services

operating across several organisations.

A 'Local Government Chronicle' survey in July 2010 found one quarter of responding district councils were discussing the possibility of sharing a chief executive and senior management teams. A small number were keen to share but had not yet found a suitable partner.

Useful resources

Tools 23-30 in the 'Shared Service Architect's Toolbox' will help councils:

- assess their own and partners' level of commitment to shared services
- build trust between partners.

You can find out more at:

www.sharedservicearchitects.co.uk/content.php?cid=12

If you want to understand more about the factors that promote successful partnership working, The Local Government Improvement and Development website provides information on the governance structures, accountabilities and work of local strategic partnerships and covers the full range of collaborative working at local level. www.idea.gov.uk/idk/core/page.do?pageId=1174195

What can sharing offer over other approaches?

What will be the benefits of sharing?

This is the point at which councils will need to develop an outline business case for sharing that considers how sharing will help the council achieve its strategic ambitions. Councils will also want to articulate their longer-term ambitions for sharing services and management.

The business case will need to consider a range of issues, for example:

- What are the financial benefits of sharing?
 - Will there be economies of scale?
 - Will there be opportunities to re-design systems and processes to be more cost-effective?
 - Will there be procurement savings?
 - How will savings be distributed between partners?
- What investment will be needed and where will it come from?
 - What resources will different partners contribute to the shared service?
 - Is external funding available to support the shared service development?
 - Will there be costs to get out of existing contracts?
 - What will redundancies, if any, cost and who will pay for these?
- What are the non-financial costs and benefits?
 - What changes will there be in the quality of service?
 - What will be the impact of change on service users and staff?

- Will sharing deliver benefits quickly enough?
- What is the exit strategy?
 - What will be the costs of withdrawing?

Due diligence – evaluating a prospective decision by getting information about the financial, legal, and other material issues – matters. It is important to programme sufficient time to understand the true scope of the partnership, the nature of the services to be shared, the realities behind charging, and the profile of any benefits realisation (and to whom these accrue). The skills to undertake commercial due diligence are not necessarily available to every local authority. Bear this in mind as you consider how shared services could support your organisation.

Involving key staff at an early stage in developing the business case can be crucial to the longer term success of shared service projects.

“All successful implementations begin at the concept and design stages where decisions are made about make-or-buy strategies, operating models, organizational structure and locations. . .

It is critical to involve future operational leaders as early as possible. . . an inclusive solution is always more readily accepted by those responsible for ongoing service delivery; the solution will be more comprehensive when challenged by those experienced in day-to-day operations.”

A T Kearney (2005) ‘Shared services in government’ (p12)

Useful resources

As part of its ‘Sharing the gain’ work, CIPFA identified the key questions and issues in shared services. You can read more about these issues in Appendix 4.1 of ‘Sharing the gain’:

www.cipfa.org.uk/sharingthegain/download/Appendix_A4_1_Key_questions_and_issues_19_03_10_V1.pdf

Guidance on measuring and realising the benefits of shared services was published in 2006 as part of a Cabinet Office sponsored learning network comprising early adopters of shared services in public and private sector organisations. You can access the guidance from:

http://webarchive.nationalarchives.gov.uk/20100512143012/http://www.cabinetoffice.gov.uk/media/cabinetoffice/cio/assets/ss/toolkit/business_case/buy_it_guide9_benefits.pdf

What are the alternatives?

In order that councils can assess the merits of shared services options they will need to explore and consider the alternative approaches to achieving their strategic aims. Are there other routes to securing the benefits that shared services or management will bring, such as service reviews, outsourcing to the private or voluntary sector, or new models of service delivery? Answering this question may require councils to undertake some market testing or to look at what other councils have done.

There are many different approaches to options appraisal. Some, like cost-effectiveness analysis or cost-benefit analysis, have a monetary focus. Others consider a range of non-financial outcomes from pursuing specific policies or actions. If, for example, retaining jobs in the local area is a key concern in changes to service delivery arrangements, this will need to be built in to your options appraisal framework.

Useful resources

The Department for Communities and Local Government has published a manual that provides guidance on how to undertake and make the best use of multi-criteria analysis for the appraisal of options for policy and other decisions. You can find the manual at:

www.communities.gov.uk/publications/corporate/multicriteriaanalysismanual

Often, as the Audit Commission’s 2007 report ‘Healthy competition’ found, it is the act of exposing services to competitive pressure that results in savings, rather than changing the identity of the service provider.

Useful resources

Other resources from 'Sharing the gain' that you may find helpful at this stage are:

- general guidance on options appraisal
www.cipfa.org.uk/sharingthegain/download/Appendix_A4_3_general_guidance_on_option_appraisal_12_02_10_v1.pdf
- key questions in appraising shared service options
www.cipfa.org.uk/sharingthegain/download/Appendix_4_4_key_questions_in_appraising_SS_options_12_02_10_V1.pdf

The Audit Commission's report 'Healthy competition' can be found at:

www.audit-commission.gov.uk/nationalstudies/localgov/Pages/healthycompetition.aspx

What stops councils sharing?

Some of the most commonly cited barriers to sharing are cultural or behavioural. These can include political concerns over losing sovereignty and control over council services. Or organisational resistance resulting from self-preservation and protectionism of services and roles amongst officers. Differing starting positions and differing visions for the outcome – for example, whether to 'grow' a service or continue with existing partners – can also hinder development of a partnership, as can the lack of a clear and agreed purpose which is focused on the customer. Many of these cultural issues depend on the maturity of the partnership. They can be overcome where there is strong and effective leadership which builds political support across the organisations and attention to cultural change to bring staff on board.

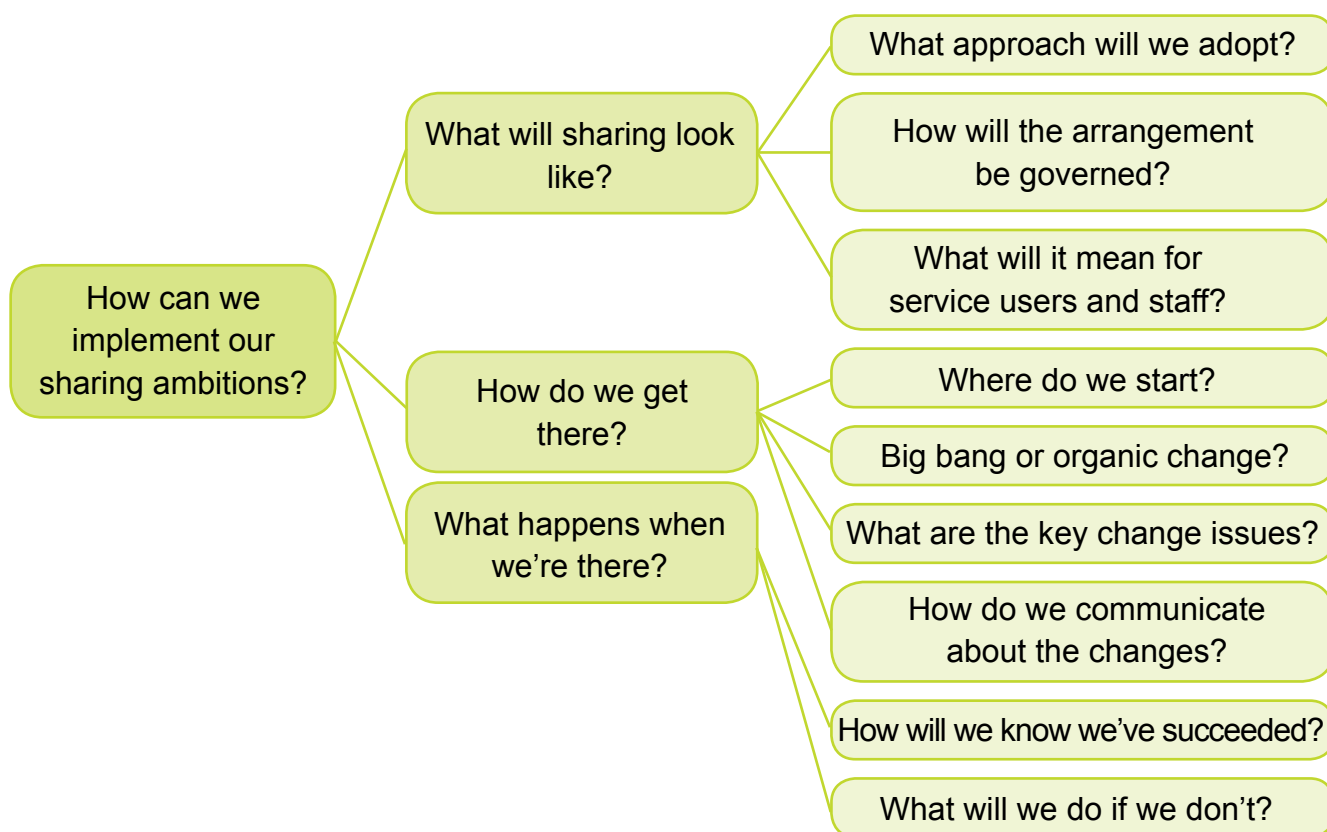
In addition there are practical issues such as:

- Set-up costs – the business case will need to weigh the savings that could be achieved against the cost of setting up and implementing the shared arrangements.
- Poor understanding of business performance and perceived risks to performance and/or reputation. While entering into a sharing arrangement with a high-performing council can help pull a poorer-performing council up to the same standards, the risk assessment will have to examine the possibility of the opposite happening and the damage to reputation.
- Technical issues, such as difficulty in integrating different IT systems or getting agreement on which system is best and who should host the infrastructure.
- HR issues involved in bringing teams together or moving staff from one employer to another, including TUPE considerations and reconciling terms and conditions. Also, standardising policies and procedures does not always allow for differences in organisational culture and local variety.
- Lack of comparable data on unit costs which hinders decision-making over which services might be suitable for sharing, or which council among potential partners is the strongest performer. There may also be issues arising from the transparency agenda and the need to publish the comparative costs of separate and shared management structures.

It is easy to overlook supporting infrastructure. Due diligence can help here. The reality, though, is that unanticipated low-level issues can be deal breakers. By way of example, the cost associated with transferring employees from one set of terms and conditions to another, the development costs associated with integrating IT systems, and the expense of contract innovation or termination may well make some shared services financially unviable. Be pragmatic.

How can we implement our sharing ambitions?

The structure of this section



This section of the guide identifies issues councils will need to address when planning and implementing shared services and management. Many of the issues around implementation are not peculiar to sharing services or management – they are issues that must commonly be addressed as part of any organisational change management programme.

Useful resources

In 2008 The Cabinet Office published 'The Shared Services Toolkit', based around five stages of a typical shared services journey. The following stages are of direct relevance to the questions raised in this section of the guide:

- **Design** – covers some of the key activities that will help organisations design (or procure) their shared service solution.
- **Transform** – covers some of the key transformation activities including the implementation of the shared service, the migration of people, data and processes to the new shared service, the re-structure of the retained organisation and the implementation of re-engineered processes.
- **Operate and improve** – covers activities that will help organisations optimise the performance of shared services, such as measuring benefits, monitoring and analysing performance, gaining customer insight, reviewing processes and implementing improvements.

For each stage the toolkit provides an overview, the key considerations, activities and outputs, templates, and examples. You can access 'The Shared Services Toolkit' at:

webarchive.nationalarchives.gov.uk/20090414161943/http://cio.gov.uk/shared_services/toolkit/index.asp

What will sharing look like?

What approach will we adopt?

There are a number of mechanisms available to councils for sharing services and management. CIPFA's 2006 report 'Shared services: The opportunities and issues for public sector organisations' (pp9-14) categorises three different models for sharing, each of which is characterised by different relationships between the partnering organisations:

- **Joint working**, in which participants try to consolidate functions within existing institutions – the least sophisticated of the three types. This often begins by merging internal services into a single unit, but can be extended to apply across organisations. However, each partner acts independently and retains responsibility for the service in-house. For example, several local authorities might collaborate on commodities procurement and agree to negotiate jointly with suppliers, but they each continue to employ and manage their own purchasing staff. (You can read about one such approach to shared procurement in the North and North East Lincolnshire case study.)
- **Principal partner-led**, in which one organisation (private or public sector) assumes responsibility for running services for others. For example, Tewkesbury Borough Council provides a legal service for Cheltenham Borough Council, while Cheltenham provides a building control function for Tewkesbury. Insourcing, outsourcing and PFI initiatives also fit into this category.
- **Third party**, in which participating bodies decide to establish another organisation to deliver services for them at arms-length. For example East Lindsey and South Holland councils set up a limited company

to provide back office services, which the councils contract. This model was chosen as it had the potential to be scalable if, at a future time, the company wished to market services to other councils. (See the [East Lindsey and South Holland case study](#).)

Some councils have raised concerns about the legality of contracting with companies they have created. Where councils opt to establish a company for the purpose of supplying them with services they will need to be mindful of the rules on public procurement set out in the Public Contracts Regulations 2006. There is in European Court of Justice case law an exemption from the public procurement rules known as the Teckal exemption which allows authorities to contract with a company they own wholly or in part. However, the exemption is narrowly construed and:

- authorities need to have the same control over the company as they do over their own departments
- the company must principally be supplying its services to the controlling authorities.

It is clear that if there is any private capital in the body benefiting from the contract then the Teckal exemption cannot be applied (Stadt Halle case C-26/03).

The application of the Teckal exemption has been the subject of a high-profile court case in the UK concerning contracts entered into by a group of London councils with London Authorities Mutual Limited (LAML), a mutual insurance company established jointly by them. A key issue was whether any individual participating council could be regarded as having sufficient control over LAML in order to avoid the need for a public procurement exercise under the Public Contracts Regulations 2006. In February 2011 the Supreme Court confirmed that the

Teckal exemption does apply in cases where the participating authorities exercise joint control over the company and applied in this particular case as the councils had collective control over the strategic objectives and significant decisions made by LAML. It sets a precedent in English law that authorities participating in jointly-owned consortia can procure services from that entity outside of the public procurement process as long as they exercise collective control over the entity.

In some cases arrangements to cooperate between public authorities have been deemed acceptable by the European Court of Justice on the basis that they fall outside the scope of the procurement rules as there is no public contract ('Hamburg' judgement (C-480/06)). However the Court's decisions are often fact specific and councils should seek legal advice regarding the application of the 2006 Regulations in specific cases.

Useful resources

You can read a summary of the Supreme Court's ruling in the LAML case at: www.supremecourt.gov.uk/docs/UKSC_2009_0166_ps.pdf

You can find out more about the relevant European Court rulings using the links below:

'Teckal' Case C-107/98 – Teckal Srl v Comune di Viano and Azienda Gas-Acqua Consorziale (AGAC) di Reggio Emilia [1999] ECR I-8121

http://eur-lex.europa.eu/Result.do?T1=1999&T2=8121&T3=V1&RechType=RECH_recueil&Submit=Search

'Stadt Halle' Case C-26/03 – Stadt Halle and RPL Recyclingpark Lochau GmbH v Arbeitsgemeinschaft Thermische Restabfall- und Energieverwertungsanlage TREA Leuna [2005] ECR I-1

http://eur-lex.europa.eu/Result.do?T1=2005&T2=00001&T3=V1&RechType=RECH_recueil&Submit=Search

'Hamburg' Case C-480/06 – Commission of the European Communities v Federal Republic of Germany [2009] ECR I-4747

http://eur-lex.europa.eu/Result.do?T1=2009&T2=4747&T3=V1&RechType=RECH_recueil&Submit=Search

Councils will need to give detailed thought to choosing the most appropriate mechanism for sharing. Some of the initial thinking on this will have formed part of the outline business case. In 'Shared services in government', (p11) A T Kearney presents a decision-making framework that allows managers to determine whether activities should be 'eliminated, located in a corporate center, outsourced, subsumed into a joint venture, optimized as a local operation or combined in an in-house shared service unit.'

In choosing their approach, councils will want to think about their longer-term ambitions. Do they want to bring together a number of services into one shared delivery mechanism or have separate sharing arrangements with potentially different partners? There will be advantages and disadvantages to either approach. Councils will also need to think carefully about whether they wish to develop a shared service with the potential for trading, now or in the future, and how realistic those trading ambitions are likely to be.

Useful resources

Section 4.3 in 'Sharing the gain' examines four different models for shared services.

www.cipfa.org.uk/sharingthegain

A T Kearney's report 'Shared services in government' can be found at:

www.atkearney.com/india/images/global/pdf/Govt_Share_Services_S.pdf

Councils considering setting up a joint venture company should read 'Joint Ventures: a guidance note for public sector bodies forming joint ventures with the private sector' (HM Treasury, 2010).

www.hm-treasury.gov.uk/d/joint_venture_guidance.pdf

How will the arrangement be governed?

A key concern for elected members in establishing shared service arrangements is the level of control the council will be able to exert over the delivery of services. More precisely, the perception that they will be losing control. It is important to establish governance arrangements that provide an appropriate level of assurance to members about the performance of shared services, and opportunities for members to influence their operation.

The issue of transparent accounting to taxpayers for shared services expenditure is one that will require specific attention. The accounting (and in turn auditing) arrangements will vary depending on the model of sharing being employed. For example, the accounts of joint committees of local authorities must be prepared by those authorities and audited by an appointed auditor. A partnership involving a non-local authority partner is not a joint committee and the requirements for accounting and audit will be different. Whatever the model, councils should be able to account for the expenditure invested in shared services and relate this to performance. Councils should discuss these matters with their appointed auditor.

Total Place and more recent exercises in Place-Based Budgets have demonstrated the inefficiencies that exist within public sector systems. By sharing services it is possible to reduce some of the complexity and duplication that adds cost if not necessarily value, while strengthening the focus on outcomes customers would recognise. Shared services offer an opportunity for councils to partner with emerging GP consortia, looking beyond the local authority family to other public services. Different core businesses, but a similar need for supporting infrastructure.

There will be different ways that councils can involve non-executive members in decisions about shared services. For example, Cambridgeshire and Northamptonshire councils used a joint scrutiny committee to examine all of the services in scope for sharing to assess which of the two councils was the strongest performer for each and based their recommendations on who should provide what on this. Bromsgrove and Redditch councils established a Shared Services Board comprising councillors from each.

Since members will continue to be politically accountable they need to feel that while services may be shared, they retain the right to determine policy, hold providers to account and gain redress for their constituents.

The key question therefore is how to make this work when services are shared? Elected members contributing to the development of this guide felt that good governance in this situation might include:

- some joint Cabinet meetings (informal and formal)
- joint and separate Scrutiny of the services; including allowing call-in on any part of what's being done
- some joint council meetings
- joint management teams.

These structures need to be supported by:

- Clear communications and informal briefings after every Cabinet meeting for members and officers alike.
- Good cost and performance information, with clear standards set in terms of outputs. It was recognised that different authorities could contract a shared organisation to provide different levels of service and this could be paid for and assessed accordingly. It was also felt that benchmarking performance against what is considered good performance would help assess how well a service was being delivered.

Useful resources

Shared Service Architects Ltd has developed two tools that will be of interest to councils think about governance:

Tool 2.06: Climbing the governance ladder – helps identify the appropriate governance arrangements for your shared service.

Tool 4.07: Which governance vehicle should the partnership choose? – offers a checklist of choices for the governance vehicles to match different situations.

What will it mean for service users and staff?

Councils will need to identify how the proposal to share services will affect service users (or potential users) and staff. They may wish to conduct an equalities impact assessment to highlight how different users and staff will be affected. The findings will inform the development of the shared service project and provide the basis for communications and engagement activity – an essential part of the change management process.

One of the main drivers for moving to shared services in many cases is the desire to improve the quality of services to better meet the needs of service users. Providing better access to services for rural communities was a key driver for South Hams and West Devon working together on a shared revenues and benefits services and for Huntingdonshire working with Cambridgeshire on a shared call centre.

Even where the driver for change is cost saving, councils will need to identify and articulate the benefits of moving to shared services arrangements to service users (and potential users). They will also need to understand and address the ways in which different service users will be adversely affected by the changes. For example, will sharing mean:

- Changing the locations or times at which a service is available?
- Greater use of telephone or internet-enabled communications?
- More standardisation? (A common result from efforts to achieve economies of scale.)
- Transferring more responsibility to users for self-service?

Changes that resulted from a shared waste collection service in South Oxfordshire and Vale of White Horse have delivered savings but were not universally popular when first introduced.

Understanding the needs of service users is as relevant for services provided to staff – for example, moving to shared human resources service – as it is for services provided to local taxpayers.

Useful resources

Managing the process of change for staff is one of the issues covered in the Castlerigg Consulting 'Shared services toolkit', which captures and translates lessons from the development of two shared ICT services in Cumbria for the benefit of other authorities. You can access the toolkit from:

www.cumbria.gov.uk/elibrary/Content/Internet/536/40080154141.pps

Changing to shared arrangements will undoubtedly have implications for staff – in some cases staff may lose their jobs – and there is likely to be concern from staff and staff representatives. Addressing the concerns of staff and winning their support for the changes will be crucial to the success of any shared services project. Early involvement of staff in the change process, in a way that offers them the opportunity to help design the new shared service, is likely to improve morale and can deliver better outcomes more quickly. It can also help build acceptance of the need for and benefits of change. Effective communication with staff is essential.

For staff, there may be changes in the way that work is managed – for example, more remotely if moving to shared management across a number of councils – or the location of posts. If there are concurrent changes in the way the service is delivered, existing posts may no longer be required and new posts may be created requiring different skills. Training may be needed to equip staff to work in the new shared services. In some cases plans may require staff to be transferred to another organisation – a partner council or a new organisation established to provide the shared service. Bringing together staff from partner councils may highlight differences in pay and conditions which need to be harmonised. There will be costs associated with redundancies or staff transfer which will need to be taken account of in the business case. When Weymouth and Portland and West Dorset councils set up the Revenues and Benefits Partnership, staff were transferred to West Dorset to address concerns about differences in terms and conditions. But staff from Purbeck District Council did not transfer when they joined the partnership three years later.

Useful resources

Working together, LG Employers, LG Improvement and Development (formerly IDeA) and Local Partnerships have developed national resources aimed primarily at human resources, organisational development and business improvement staff. These can be found at:

www.idea.gov.uk/idk/core/page.do?pageId=6328944

The material has been written with senior human resources personnel in mind, however, much of the information will also be of interest to other managers wanting to anticipate and address the workforce issues in setting up shared services. The website provides information and guidance on a wide range of issues, such as:

- workforce planning
- TUPE and staff transfers
- information and consultancy on redundancy
- recruitment for the new services
- variation of employment contracts
- flexible working
- managing a reduction in the workforce.

How do we get there?

Where do we start?

Councils with no experience of shared management or services may wonder where they should start. Elected members in councils with some experience suggest starting with services that are not politically sensitive – although what's sensitive and what's not may be different for different councils. Tackling non-politically sensitive services can help to build both experience and support for sharing – making it easier to tackle more sensitive services at a later stage.

Non-public-facing or back-office services are thought less likely to generate political or public opposition. Services such as human resources, finance and IT have been more commonly shared due to the opportunities they present for standardising, centralising and securing economies of scale. Standardisation and centralisation are more likely to be a cause for concern when considering sharing front-office services, where the desire might be for greater personalisation of services.

Whether back- or front-office, having a strong business case for shared services or management will help muster support.

Strong leadership is essential to the success of shared services and management. Some councils have found that sharing a chief executive and senior management team early on has helped avoid potential conflicts of interest and provided a strong basis for the roll-out of shared services.

The shared service approach doesn't make sense everywhere. The 'red lines' will vary from organisation to organisation. As a rule, decisions that relate to the core business of the local authority probably aren't appropriate, unless a full-scale political and managerial merger is on the cards. Setting a local authority's strategic direction is an area where Members and senior officers would rightly expect independence. Shared services work best when there are realistic limits and expectations.

Big bang or organic change?

For some councils the move to shared services and management has been part of a more comprehensive strategy to transform the delivery of public services. In these cases there can be a lot of change in a short space of time – giving rise to the use of the term 'big bang' to describe this. In others sharing has been the result of seizing opportunities to bring about change, for example, when posts become vacant through the natural progression of staff. While there is a clear appetite and willingness to move toward more sharing, the approach is more commonly described as 'organic'.

Bromsgrove and Redditch councils embarked on a programme of sharing management and services when they agreed to appoint a shared chief executive in June 2008. They planned to review all services and develop a shared services business case within 18 months.

South Hams and West Devon took an organic approach, starting with a shared chief executive and moving to shared services in some areas where there have been opportunities to do so. These councils found that having shared senior management led other staff at all levels to become more engaged in sharing tasks and documents with their counterparts. This has led to the development of a more receptive environment for subsequent sharing plans.

Councils will need to decide what approach will work best for them taking account of their opportunities to share, their capacity to manage change and the availability of staff with the necessary skills to implement shared services. Councils may need to develop staff to manage the process or bring in external expertise.

As with any change management process, if the transition to shared management or services is not effectively managed or planned, it may be difficult to maintain staff morale and service levels can fall. In 'Shared services for government', A T Kearney stresses the importance of sound programme management: "In almost all cases . . . difficulties are the result of flawed execution. Moving too far too fast, for instance, will likely result in more problems than benefits."

What are the key change issues?

There are many dimensions to the transition to shared services. In 'Sharing the gain', CIPFA identified several 'dimensions of change' which can make moving to shared service arrangements difficult. These are:

- the **content and process** of work – what is actually done, the procedures that are

followed, the skills involved and the (re) training needed

- **technology and information** used – the tools that people work with, how they access data and documents, and how communications takes place with others (such as over the IT system, rather than face-to-face)
- **organisational structure** – lines of responsibility (who reports to whom), how work groups are formed (who works with whom) and spans of control
- **job roles and grades** – the duties each person must carry out, their areas of responsibility and their authority to make decisions (which may also have consequences for salary scales)
- **location** – where work is to be undertaken, and whether relocation and commuting costs will be compensated for
- **employment relationship and branding** – who the employer will be and what implications there are for the employee's sense of identity
- **staffing levels and structures** – How many posts will be needed and whether this will mean redundancies. This will also have implications for career structures and possible progression and promotion.

CIPFA also highlights that there will be different issues to address depending on:

- whether the collaboration being planned is taking place within or across organisational boundaries
- the degree of similarity or difference between the functional areas involved.

What influence these aspects have on the change issues that need to be addressed is shown here.

	Same or similar functional areas involved	Different functional areas involved
Change occurs across organisational boundaries	<p>Shared service organisation/unit (eg finance, libraries)</p> <p>Similar professional groups involved</p> <p>Key drivers: improving service quality and reducing costs</p> <p>Key change issues: building partnerships, managing culture, team building, redesigning jobs and organisational structures, and dealing with potential relocations and staff cuts</p>	<p>Partnership working and joint service delivery (eg strategic commissioning and joint assessments)</p> <p>Different professional groups involved</p> <p>Key drivers: creating innovative, outcome-based service designs</p> <p>Key change issues: building partnerships, agreeing shared goals, creating new delivery and job structures, and managing culture clashes</p>
Change occurs within the organisation's boundaries	<p>Centralisation or internal shared service (eg finance, HR, IT)</p> <p>Similar professional groups involved</p> <p>Key drivers: improving service quality and reducing costs</p> <p>Key change issues: redesigning jobs and organisational structures, and dealing with relocations and staff cuts</p>	<p>Cross-functional teams or combined service centre (eg one-stop-shop, corporate services unit)</p> <p>Different professional groups involved</p> <p>Key drivers: creating a more rounded service; sharing overheads</p> <p>Key change issues: rethinking jobs and roles, building a shared sense of mission, and skills development</p>

Useful resources

You can read more about the different change issues encountered in different forms of collaboration in 'The leadership challenge in collaborative working' (CIPFA, 2010).
www.cipfa.org.uk/sharingthegain/download/Appendix_A_1_1_Leadership_challenge_in_collaborative_working_09_03_2010.pdf

In 2008 the Office of Government Commerce (OGC) published lessons learned from more than 20 Gateway Reviews of shared services programmes and projects. These were:

1. Develop a sound business case to support the decision and keep this under regular review.
2. Develop a realistic benefits realisation plan with unequivocal buy-in from the stakeholders.
3. Ensure the organisation has the capacity, capability and resources to deliver the shared services solution. Timescales also need to be realistic.
4. Ensure stakeholder buy-in is obtained from the outset and sustained throughout the development and implementation of the shared services solution.
5. Develop service level agreements which are practical and realistic.
6. Develop sound migration and transition plans – including data migration and cleansing.
7. Anticipate and manage staff sensitivities through effective communication.
8. Develop a contingency plan as part of the wider risk management strategy.

Useful resources

You can read more about the lessons learned from Gateway Reviews at in OGC's bulletin at:

www.ogc.gov.uk/documents/OGC_Programme_and_Projects_lessons_learned_bulletin_-_Issue_1_October_2008.pdf

How do we communicate about the changes?

As with any organisational change management programme, councils will need to give careful thought to how they communicate about the changes, when, and with whom. Good communications will be instrumental in keeping members, managers, staff, partners and service users on side and engaging them in the development of the shared service proposals.

As some councils have found, there can also be intense media interest in proposals to transform the way that services are delivered. Where plans are misreported this can lead to unnecessary concern and additional work for councils to set the record straight.

What happens when we're there?

How will we know we've succeeded?

It is important for councils to identify the measures they will use to assess the success of their actions to develop shared services and management. Being able to demonstrate the success of shared services projects will be critical to garnering support for the change and to encourage others to consider sharing. Not adequately measuring the benefits of shared services could mean that success is not properly celebrated, and the factors that have given rise to success (or failure) are not fully understood.

Measures may be both quantitative and qualitative, and consider success from the perspective of the council, staff, partners and service users. The metrics referenced in the first section of this guide will give councils ideas of how they can measure the effectiveness, efficiency and economy of their new shared service arrangements.

Useful resources

Useful guidance on measuring and realising the benefits of shared services was published in 2006 as part of a Cabinet Office sponsored shared services learning network. The network brought together early adopters of shared services in the public sector with private sector organisations. You can access the guidance from:

http://webarchive.nationalarchives.gov.uk/20100512143012/http://www.cabinetoffice.gov.uk/media/cabinetoffice/cio/assets/ss/toolkit/business_case/buy_it_guide9_benefits.pdf

Shared Service Architects Ltd has developed a methodology for defining the criteria for success of the new service, for each partner. Tool 2.08: How will we know when the new service is successful?

Having identified the measures for success, councils will also need to establish how data to measure progress will be collected and to whom it will be reported.

What will we do if we don't?

In practical terms changes to shared services and management may be a 'one way street' because of the costs of reverting to the previous arrangements. For example, where councils have achieved savings by moving to a shared chief executive model, there would be a commensurate cost of returning

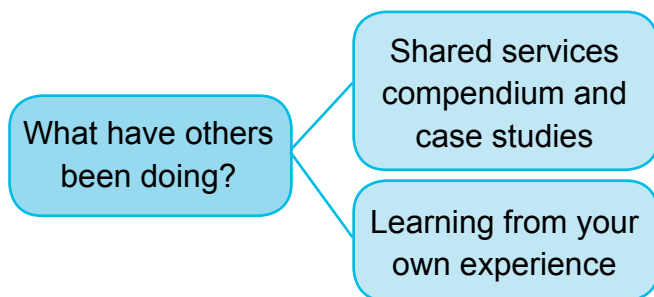
to having separate chief executives. Bromsgrove and Redditch councils estimate the cost of unravelling their shared chief executive and management team would be around £400,000. (See the Bromsgrove and Redditch case study.) Some council leaders have indicated that the cost of going back might itself be a factor in encouraging councils to work through difficulties in their sharing arrangements should any arise.

However unlikely it is that councils will want to undo their shared arrangements, it will probably be helpful in winning support to show that this is possible, in theory, if needs be. Any such 'exit strategy' should form part of the formal agreement between partners. For example, although North and North East Lincolnshire have a shared procurement arrangement, each continues to employ half of the staff making it easy for them to revert to their previous separate teams if things didn't work out. In some cases agreements might also cover the speed at which progress is to be made or the conditions under which plans can be reviewed and revised. East Devon and South Somerset District Councils have retained a shared chief executive while agreeing to put plans for further integration of their management teams on hold.

Ultimately, councils need to accept that they are entering new territory, where there are lots of unknowns and some of the new successful ways of working that will emerge won't all be planned in advance.

What have others been doing?

The structure of this section



In this section of the guide we highlight what other councils have been doing on shared services and management. The examples provided will be helpful to councils in knowing what is possible, what sharing has delivered for some councils and how councils have addressed some of the issues highlighted in this guide.

Shared services compendium and case studies

A compendium of shared services examples across England has been pulled together. This provides a useful one-stop-shop of information about who is sharing, what functions they are sharing, and what savings and benefits have been achieved or are expected. The compendium includes links to useful case studies and documentation, and also provides contact details for members and officers who are happy to discuss their experiences with others. It is intended for the compendium to be a 'living' document, with other examples added as they become available.

You can access the shared services compendium and an online map of the examples from:

www.local.gov.uk/local-productivity

As part of the shared services workstream a number of councils have provided information about their experience of developing shared services and management. Short case studies of the following can be found in Appendix 2:

- Bromsgrove and Redditch: shared service and management
- East Lindsey and South Holland Councils: merged back office functions
- East Kent Services model
- Huntingdonshire and Cambridgeshire shared call centre
- Procurement Alliance North and North East Lincolnshire (PANNEL), shared procurement services
- South Hams and West Devon shared service and management
- South London Waste Partnership
- South Oxfordshire and Vale of White Horse shared service and management
- Weymouth and Portland, West Dorset and Purbeck councils: The Revenues and Benefits Partnership.

Other publications and websites also include case studies of shared services activity and the table below provides links to a number of other useful examples.

Case studies of shared services activity

What	Details	Source
Dorset Procurement	All the councils of Dorset have committed to the adoption of a shared procurement service led by Dorset County Council from 1 April 2010.	http://www.idea.gov.uk/idk/core/page.do?pagelId=18514132&aspect=full
Essex Legal Services Partnership	Essex Legal Services Partnership has created a new model for local government services, which enables the teams to improve services to clients and communities.	http://www.improvementeast.gov.uk/projects/view_project.aspx?ID=232
Surrey legal services	The collaborative approach to procuring legal services for councils in Surrey has saved staff time and is expected to deliver around 10 per cent cashable savings over the 4-year duration of the contract; an estimated £1 million.	http://www.southeastiep.gov.uk/uploads/casestudies/thefiles/original/IESE_Collaborative_Procurement_Case_Study_Surrey_final.pdf
Anglia Revenues Partnership (Breckland, Forest Health and East Cambridgeshire District Councils)	The partnership provides a revenues and benefits service for the three partner councils, and through its trading operation also provides consultancy, training and processing support to other authorities from the Isle of Wight to Renfrewshire	Confederation of British Industry (CBI), 'Shared Services in Local Government: This is the Time', CBI 2010 4ps 'Shaping -Solutions for Corporate and Transactional Services', 4ps 2005
SouthWest One (Somerset County Council, Taunton Deane Borough Council, and Avon and Somerset Police)	Offers a range of shared back office services including finance, ICT, procurement, property facilities management, human resources, design and print. This case study focuses on how savings are being used to strengthen front-line policing operations	Confederation of British Industry (CBI), 'Shared Services in Local Government: This is the Time', CBI 2010

What	Details	Source
<p>Suffolk Customer Service Direct: Customer First</p> <p>(Suffolk County Council, Mid Suffolk District Council and BT)</p>	<p>Suffolk Customer Service Direct is a joint venture to provide a range of services such as HR and IT, as well as customer facing services. This case study focuses on Customer First, a new single point of contact for all adult social care enquiries.</p>	<p>Confederation of British Industry (CBI), <u>'Shared Services in Local Government: This is the Time'</u>, CBI 2010</p> <p>4ps <u>'Shaping Solutions for Corporate and Transactional Services'</u>, 4ps 2005</p> <p>CIPFA, <u>'Geared for transformation: How Customer Service Direct is delivering sustainable improvement'</u>, CIPFA March 2008</p>
<p>Devon Building Control Partnership</p> <p>(Teignbridge District Council, West Devon Borough Council and South Hams District Council)</p>	<p>The partnership brings together the building control services of the three partner councils, and by unifying and sharing resources, it provides a more efficient, competitive and flexible service. The case study looks particularly at the benefits of the centralised IT resource.</p>	<p>Confederation of British Industry (CBI), <u>'Shared Services in Local Government: This is the Time'</u>, CBI 2010</p>
<p>Cambridgeshire and Northamptonshire County Councils</p>	<p>The councils share an enterprise planning resource developed with Fujitsu, enabling the sharing of delivery of back office processes and transactional services across key functions including finance, human resources, online procurement and payment facilities.</p>	<p>Confederation of British Industry (CBI), <u>'Shared Services in Local Government: This is the Time'</u>, CBI 2010</p> <p>And on the Local Productivity Programme website:</p> <p>www.local.gov.uk/local-productivity</p>

What	Details	Source
North East Derbyshire District Council, Chesterfield Borough Council and Rykneld Homes Ltd.	North East Derbyshire hosts a shared customer services function that provides front office services for its council services. The single customer services team operates a telephone call centre, two reception points (one in each of the councils), and a one-stop-shop in Dronfield. They also deal with web, email and SMS contacts.	IDeA, Front Office Shared Services Case Studies 2009: 'North East Derbyshire – Shared Customer Services' , IDeA 2009
Kent Gateway (Kent County Council, Kent district councils, the NHS and voluntary sector)	The Kent Gateway operates on the principle that customer needs determine both the location and mix of services provided in an area. There are now five Gateways across Kent, with a total of 15 planned, including three mobile Gateways to be in place by 2011/12. The partners have agreed the structure and governance arrangements of the programme, and the provision of a common IT infrastructure for Internet, WiFi, email, file sharing, customer case management and customer and performance statistics.	IDeA, Front Office Shared Services Case Studies 2009: 'The Kent Gateway' , IDeA 2009
London Borough of Hammersmith and Fulham, Royal Borough of Kensington and Chelsea	This case study focuses on two posts shared by two councils: Assistant Director, Highways and Assistant Director, Legal Services. The posts were established on an opportunistic basis when vacancies arose in the boroughs, and have allowed them to save money and retain professional expertise.	London Councils Capital Ambition website
London Boroughs of Sutton and Merton	This case study examines the combining of the Head of HR posts, as well as the integration of both boroughs' HR teams into a shared entity.	London Councils Capital Ambition website

What	Details	Source
Brent and Harrow Trading Standards Consortium: London Boroughs of Brent and Harrow	This case study describes on the Brent and Harrow Trading Standards Consortium, a unique operation in London. It was formed under Section 101(5) of the Local Government Act 1972 with a Joint Advisory Board of Members from each authority as the relevant body to oversee the operation of the Service.	London Councils Capital Ambition website
Tameside Metropolitan Borough Council, Pensions Advice Service	The joint team was set up in 2004. Before, the council and the pension service each employed separate teams of people to undertake financial assessments and give advice on benefits. After the closure of the Pension Service's local office, the partners created a broadly skilled and resilient local team. The team advises people with a wide range of needs on an equally wide range of benefits and entitlements.	IDEA, ' Tameside and Pensions Service Joint Team ', IDEA May 2007

Learning from your own experience

It is important that councils learn from their own experience of sharing services, reviewing achievements against business plans and applying learning to subsequent sharing activity.

Useful resources

CIPFA's 'Maturity model for shared services' will be helpful to councils that want to review the progress they have already made with shared services.

http://www.cipfa.org.uk/sharingthegain/download/Appendix_A_2_1_maturity_assessment_tool_for_shared_services_12_02_10_v1.pdf

Sources of further information

Councils seeking support with work on shared services and the wide range of issues it encompasses may find the following organisations of help:

Local Government Association
www.lga.gov.uk

Local Government Improvement and Development
www.idea.gov.uk

Local Government Delivery Council
www.idea.gov.uk/lgdc

Local Partnerships
www.localpartnerships.org.uk

Improvement and efficiency partnerships
www.idea.gov.uk/rieps

Shared Service Architects Ltd is a teaching company established to equip politicians and public sector managers with the skills and knowledge to design and deliver shared

services. It has developed over 100 tools that can be applied to day-to-day shared service activity. You can find out more at the company's website:

www.sharedservicearchitects.co.uk

Shared Service Architects, in partnership with Canterbury Christ Church University, has established the UK's first postgraduate qualification in Shared Services. The Postgraduate Certificate in Shared Services is for public sector managers who wish to study shared services and the effective design and management of shared service initiatives in the public sector. You can find out more about the programme at: www.canterbury.ac.uk/courses/prospectus/postgraduate/courses/shared-services.asp

The table below highlights a wide range of publications and online resources that will be a valuable source of information for anyone exploring shared services and management.

Issue	Resources
General	<p>Brand, Anthony (2006) 'The Politics of Shared Services' NLGN</p> <p>This publication looks at the political, economic and social impact of merging services and offers recommendations on how stakeholders in local and central Government and the private sector can work together more effectively to deliver high-quality, efficient services. (£10.00)</p> <p>www.nlgn.org.uk/public/2006/the-politics-of-shared-services/</p>
General	<p>Confederation of British Industry (CBI), (2010), 'Shared Services in Local Government: This is the time', CBI</p> <p>This report calls on local authorities to think smarter about re-engineering services to meet citizens' needs at lower cost, drawing on evidence of what is already being achieved by some local authorities in partnership with private and third sector providers.</p> <p>www.serco.com/instituteresource/market/corporate/sharedservices/index.asp</p>

Issue	Resources
General	<p>Chartered Institute of Public Finance and Accountancy (CIPFA) (2010) 'Sharing the gain: Collaborating for cost-effectiveness', CIPFA</p> <p>(www.cipfa.org.uk/sharingthegain/report.cfm)</p> <p>This report covers the key issues involved in making collaborative services happen, from developing a vision for change and appraising the options available, through to managing the process of implementation and setting up new delivery systems.</p> <p>A range of related tools and online resources can also be found at www.cipfa.org.uk/sharingthegain</p>
General	<p>PricewaterhouseCoopers (PWC) (2009) 'Freeing the front line: Where next for corporate shared services in the public sector?', PWC</p> <p>This report seeks to invigorate the debate on implementing shared services models in government, and in particular argues that "a refreshed overall vision is urgently required."</p> <p>www.pwc.co.uk/pdf/freeing_the_front_line.pdf</p>
General	<p>Deloitte LLP (2009) 'Stop, start, save: Shared service delivery in local government', Deloitte LLP</p> <p>This report highlights the key barriers to delivering shared services and key considerations for implementing shared services.</p> <p>www.deloitte.com/assets/Dcom-UnitedKingdom/Local%20Assets/Documents/Industries/GPS/UK_GPS_StopStartSave.pdf</p>
General	<p>www.sharedservicearchitects.co.uk</p> <p>An extensive library of resources compiled by Shared Service Architects Ltd.</p>
Back office services	<p>Audit Commission (2008) 'Back to front: Efficiency of back office functions in local government', Audit Commission</p> <p>(www.audit-commission.gov.uk/nationalstudies/localgov/Pages/backtofront.aspx)</p> <p>This report reviews how councils made back office efficiency gains during the 2004-2007 Spending Review period and identifies lessons that will still be of value to councils seeking efficiencies in this area.</p>

Issue	Resources
Working with partners	<p data-bbox="368 152 1453 232">Audit Commission (2009) 'Working better together: Managing local strategic partnerships', Audit Commission</p> <p data-bbox="368 271 1171 351">www.audit-commission.gov.uk/nationalstudies/localgov/workingbettertogether</p> <p data-bbox="368 387 1414 546">Although not specifically about shared service partnerships, councils may find this report offers valuable transferable learning on issues related to governance, performance management and scrutiny of joint working arrangements.</p>
Cost saving	<p data-bbox="368 566 1362 647">Audit Commission (2007) 'Healthy competition: How councils can use competition and contestability to improve services', Audit Commission</p> <p data-bbox="368 685 1272 766">www.audit-commission.gov.uk/nationalstudies/localgov/Pages/healthycompetition.aspx</p> <p data-bbox="368 801 1437 1005">This report considers the potential for councils to use competition and contestability to generate cost savings and service improvements, including practical examples of councils successfully using competition and contestability, and explores the pre-conditions that councils must have in place to make effective use of these mechanisms.</p>
Charging for services	<p data-bbox="368 1021 1401 1102">Audit Commission (2008) 'Positively charged: Maximising the benefits of local public service charges', Audit Commission</p> <p data-bbox="368 1140 954 1178">www.audit-commission.gov.uk/charging</p> <p data-bbox="368 1214 1445 1417">This report examines the contribution made by charging to council finances, and how decisions on charging can support other strategic objectives for local government. It discusses how councils can improve their approach and communicate better with councillors and the general public about the purposes of charging.</p>
Leadership	<p data-bbox="368 1440 1401 1476">CIPFA (2010) 'The leadership challenge in collaborative working', CIPFA</p> <p data-bbox="368 1514 1437 1594">www.cipfa.org.uk/sharingthegain/download/Appendix_A_1_1_Leadership_challenge_in_collaborative_working_09_03_2010.pdf</p> <p data-bbox="368 1630 1445 1711">An appendix to CIPFA's Sharing the gain report that considers the attributes of successful collaborative leaders</p>
General	<p data-bbox="368 1724 1422 1805">Peter Eckersley (2006) 'Shared services: The opportunities and issues for public sector organisations', CIPFA</p> <p data-bbox="368 1841 1339 1879">www.ipf.com/fileupload/upload/Shared_services187200611542.pdf</p>

Issue	Resources
General	<p>CIPFA Performance Improvement Network (2008) 'Shared services diagnostic tool', CIPFA</p> <p>www.cipfanetworks.net/pin/documents/default_view.asp?content_ref=6873</p> <p>This diagnostic tool, produced by CIPFA's Performance Improvement Network, is intended to help organisations understand where they are on the life-cycle of a shared service initiative and what they need to do in response. The tool helps to establish a profile of strengths and weaknesses in handling upcoming aspects of any shared services programme, leading to an action plan for putting necessary skills, systems and structures in place.</p>
Joint ventures	<p>HM Treasury (2010) 'Joint Ventures: a guidance note for public sector bodies forming joint ventures with the private sector', HM Treasury</p> <p>www.hm-treasury.gov.uk/d/joint_venture_guidance.pdf</p> <p>Explores the issues associated with the creation and use of joint venture entities across the wider procurement spectrum.</p>
Front office shared services	<p>Local Government Delivery Council (2009) 'FOSS: Delivering public service transformation', Improvement and Development Agency</p> <p>www.idea.gov.uk/idk/aio/9627311</p>
	<p>4ps (2005) 'Shaping solutions for corporate and transactional services. Conference guide', 4ps</p> <p>www.localpartnerships.org.uk/UserFiles/File/4934%204ps%20Shaping%20Sol%20pr6%20.pdf</p> <p>This guide is aimed at members of project teams, senior managers and professionals engaged in developing the vision and setting the strategy for the delivery of local authority corporate and transactional services. A synopsis for use by elected Members is also available.</p> <p>www.localpartnerships.org.uk/UserFiles/File/Publications/Local%20Partnerships%20A5%20members%20guide%20pr7.pdf</p> <p>An online community of practice related to this work is hosted by LG Improvement and Development.</p> <p>www.communities.idea.gov.uk/comm/landing-home.do?id=15500</p>

Issue	Resources
General	<p>PricewaterhouseCoopers LLP (2007) 'Developing the local government services markets: Working paper on local authority shared services', Department for Communities and Local Government: London</p> <p>www.communities.gov.uk/publications/localgovernment/workingpaperlocalauthority</p> <p>This working paper sets out key findings in relation to the development of shared service arrangement in local authority services. It is part of a wider study of key local government services markets undertaken by PricewaterhouseCoopers for Communities and Local Government. The report highlights key challenges and opportunities in relation to shared services within local government, the implications of recent policy proposals, and potential ways forward in developing shared service in the wider context of local government markets.</p>
Library services	<p>PricewaterhouseCoopers (2007) 'Developing the local government services markets. New ways of working and new models of provision within the public library services – a working paper', Department for Communities and Local Government: London</p> <p>www.communities.gov.uk/publications/localgovernment/developinggovernmentservicesmark</p> <p>This working paper sets out key findings in relation to the development of markets and new models of provision in the public library service. It is part of a wider study of key local government services markets undertaken by PricewaterhouseCoopers for Communities and Local Government. The report highlights key challenges and opportunities in relation to the public library service, the implications of recent policy proposals, and potential ways forward in developing the market.</p>
Human resources	<p>Employers Organisation. 'Shared corporate and transactional services in local government: Guidance for members and senior managers on workforce implications'</p>

Issue	Resources
Human resources	<p>Working together, LGE, LG Improvement and Development and Local Partnerships have developed national resources aimed primarily at HR, organisational development and business improvement staff. These can be found at: www.idea.gov.uk/idk/core/page.do?pagelId=6328944.</p> <p>The resource has been written with senior HR personnel in mind, however, much of the information will also be of interest to other managers wanting to anticipate and address the workforce issues in setting up shared services. The resource provides information and guidance on a wide range of issues, such as:</p> <ul style="list-style-type: none"> • workforce planning • TUPE and staff transfers • information and consultancy on redundancy • recruitment for the new services • variation of employment contracts • flexible working • managing a reduction in the workforce.
HR services	<p>Reilly, Peter (2010), 'Setting up HR shared services in local government', IDeA</p> <p>www.idea.gov.uk/idk/aio/20130079</p>
Collaborative procurement	<p>Audit Commission and National Audit Office (2010) 'A review of collaborative procurement across the public sector', Audit Commission and National Audit Office www.nao.org.uk/publications/0910/collaborative_procurement.aspx</p> <p>This report and associated outputs examine the opportunities available for public sector bodies to reduce duplication and secure savings by collaborating to increase their purchasing power.</p>
General	<p>Putting the frontline first taskforce (2010) 'Putting the frontline first: Meeting the local government challenge', Communities and Local Government</p> <p>www.communities.gov.uk/publications/localgovernment/puttingfrontlinefirst</p>
General	<p>Sir Peter Gershon (2004) 'Releasing resources to the front line: Independent review of public sector efficiency', HMSO</p> <p>webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/d/efficiency_review120704.pdf</p>

Issue	Resources
General	<p>A T Kearney (2005) 'Shared services in government: Turning private-sector lessons into public-sector best practices', A T Kearney</p> <p>Discusses the opportunity for adopting shared services in the public sector and highlights best practices from the private sector.</p> <p>www.atkearney.com/india/images/global/pdf/Govt_Share_Services_S.pdf</p>
General	<p>OGC (2008) 'Learning the lessons: lessons from shared services initiatives', OGC</p> <p>This OGC bulletin highlights the main lessons to emerge from more than 20 Gateway Reviews on shared services programmes and projects. The projects typically included an integrated solution for a range of corporate services; covering HR, finance and payroll, estates, IT and procurement.</p>
Corporate services	<p>NAO (2007) 'Improving corporate functions using shared services', The Stationery Office</p> <p>This report examines the progress made by government on shared corporate services, particularly finance and human resources.</p> <p>www.nao.org.uk/publications/0708/improving_corporate_functions.aspx?alreadysearchfor=yes</p>
General	<p>Castlerigg Consulting (2009) 'Shared services toolkit' (presentation)</p> <p>In May 2009, Cumbria Improvement and Efficiency Partnership funded a project to capture and translate lessons from two new shared ICT services in Cumbria for the benefit of other authorities. The resulting toolkit explores the journey from idea to inception.</p> <p>www.cumbria.gov.uk/elibrary/Content/Internet/536/40080154141.pps</p>
	<p>Accord Consulting (2007) 'Strategic Review of the Welland Partnership Concluding Report', East Midlands Centre of Excellence</p> <p>www.eastmidlandsiep.gov.uk/documents/news_info/Strategic%20Review%20of%20the%20Welland%20Partnership%20v1.248.pdf</p>

Issue	Resources
General	<p data-bbox="347 152 1348 230">Tomkinson, R. (2007) 'Shared services in local government: Improving service delivery', Gower Publishing</p> <p data-bbox="347 271 1445 472">This book explores the political and cultural barriers, and legislative/legal framework for joint workings, explains how to find an appropriate governance vehicle, and how to gain the commitment of partners. It deals with political and managerial concerns, risk aversion and parochial issues, and the possible impact on the reputation and performance of both sharers.</p> <p data-bbox="347 512 1037 546">www.gowerpublishing.com/isbn/9780566087233</p>
Measuring benefits	<p data-bbox="347 571 1358 604">BuyIT (2006) 'Guide 9: Measuring and Realising Benefits', IT World Ltd</p> <p data-bbox="347 645 1445 801">This guidance developed through a Cabinet Office-sponsored shared services learning network aims to enable public sector policy-makers to gain an understanding of the means, principles and necessity of measuring and realising benefits in shared services.</p> <p data-bbox="347 842 1445 958">http://webarchive.nationalarchives.gov.uk/20100512143012/http://www.cabinetoffice.gov.uk/media/cabinetoffice/cio/assets/ss/toolkit/business_case/buy_it_guide9_benefits.pdf</p>

Appendix 1 – Who’s been involved in developing the guide?

Shared Services Workstream members

Cllr Gary Porter, Workstream champion, South Holland District Council

Joanna Killian, Workstream Chair, Shared Chief Executive, Essex County Council/Brentwood Borough Council

Marianne Abley, Regional Associate, Local Government Improvement and Development

Andrew Bacon, Confederation of British Industry

Stephen Baker, Chief Executive, Suffolk Coastal District Council

Keith Beaumont, RIEP National Programme, Local Government Improvement and Development

Ged Bowles, Business Transformation, Improvement and Efficiency West Midlands

David Buckle, Chief Executive, South Oxfordshire District Council

Nicola Bulbeck, Chief Executive, Teignbridge District Council

Chris Bull, Chief Executive, Herefordshire Council

Graham Cook, Director of Services, Reigate and Banstead Borough Council

Miriam Deakin, RIEP Programme Office, Local Government Improvement and Development

Mike Farrar, Chief Executive, NHS North West

Christine Fisher, Chief Executive, North West Leicestershire District Council

Jim Graham, Chief Executive, Warwickshire County Council

Donna Hall, Chief Executive, Chorley Borough Council

Denise Horsfall, Job Centre Plus - London

Bryony Houlden, Chief Executive, South West Councils

Katherine Kerswell, Managing Director, Kent County Council

Eamon Lally, Improvement Manager, Local Government Improvement and Development

Mike More, Chief Executive, Westminster City Council

Matthew Nicholas, Director, Job Centre Plus - London

Councillor William Nunn, Breckland District Council

Clare Reid, Assistant Director, South West Improvement and Efficiency Partnership

Becky Shaw, Chief Executive, East Sussex County Council

Richard Sheard, Joint Chief Executive, South Hams District Council and West Devon District Council

Darra Singh, Chief Executive, Job Centre Plus - London

Sheila Wheeler, Chief Executive, Somerset County Council

Owen Williams, Chief Executive, Calderdale Metropolitan Borough Council

Chris Williams, Chief Executive, Buckinghamshire County Council

Nicola Yates, Chief Executive, Hull City Council

Steering Group

Steve Bishop, South Oxfordshire District Council and Vale of White Horse District Council

Richard Corney, Calderdale Borough Council

David Incoll, South Hams District Council and West Devon District Council

Ricky Fuller, Essex County Council

Mark Golledge, Essex County Council

Gemma Whysall, North West Leicestershire Council

Project team

Claire Barclay, Programme Manager, South West Improvement and Efficiency Partnership

David Pottruff, Senior Research Manager, Audit Commission

David Bowater, Programme Manager, South West Councils

Clare Reid, Workstream manager, South West Improvement and Efficiency Partnership

Appendix 2 – Case studies

Case study 1

Bromsgrove and Redditch Councils: shared services and management

What was the approach?

In June 2008 Bromsgrove District Council (BDC) embarked on a programme of sharing management and services with Redditch Borough Council (RBC) when both councils agreed to appoint an acting joint chief executive for 12 months.

It was also agreed that a Shared Services Board would be established with the aim of overseeing progress and governance of the project. This comprises four councillors from each council. The Bromsgrove member representation is politically balanced (three Conservatives, including Leader and Deputy Leader, and one opposition Member). For Redditch it comprises the three Leaders of each of the political groups (Conservative, Labour and Liberal Democrat) plus the Deputy Leader of the Council (Conservative).

The project had three key milestones. These were:

- Phase 1 – By September 2008 identify the quick wins for shared services/ joint working that could be implemented by 31 January 2009.
- Phase 2 – By 31st January 2009 establish targets and objectives for joint working arrangements that will identify some medium term opportunities for implementation by 31st July 2009.
- Phase 3 – By 31st July 2009 review all services of the Councils and develop a business case outlining the opportunities for shared services/joint working.

Serco was appointed in February 2009 to develop a business case to outline what services could/should be shared between the two councils and what savings could be achieved. Serco concluded that potentially all services could be shared and that this could be achieved over a three and a half year period. Serco also concluded that a single management team should be appointed to drive the implementation plan. Serco's report was accepted by the Shared Services Board and both councils. However, the potential savings figure was subsequently reduced due to more managers needing to be appointed than originally anticipated (in order to ensure strategic capacity at the most senior level) and equalisation of pay for the management team between the two councils.

The shared Chief Executive was appointed on a three-and-a-half-year contract in August 2009 and was tasked with producing a structure that was fit for purpose to manage both councils. This structure was presented and accepted by both councils in September 2009 and recruitment to the single

management team was completed in June 2010. This resulted in an overall reduction of nine posts from the previous separate management teams, saving over £500,000 per annum. Redundancy costs were apportioned equally between the councils.

The approach of the shared Chief Executive was initially about improving services and service resilience and not so much about savings. It was also important to build trust between the councils in order that the relationship could be sustained in the long term. Since appointments to the single management team have been completed the focus has moved more towards driving out savings while still retaining a focus on improved service and service resilience.

In the first 18 months the following services have been shared between the two councils:

- electoral services
- community safety
- payroll
- procurement
- climate change officer
- CCTV and Lifeline services
- information and communications technology.

As part of the Worcestershire enhanced two-tier work programme,³ Bromsgrove District Council is the lead authority for the county-wide Regulatory services (Environmental health, Trading standards and Licensing). In addition staff have been transferred to Worcestershire County Council to provide a countywide property service and internal audit service.

What's been achieved?

There have been savings of £250,000 to each council through sharing a chief executive and management team. This is net of the costs of £1 million in creating the single management team which was made up of redundancies and equalisation of pay and conditions between the two councils. In addition there were costs of £100,000 to upgrade and make compatible the IT systems, shared between the two councils.

The shared services will have resulted in savings of over £500,000 between the two councils in the period up to March 2011.

The councils are quick to point out that the shared service agenda has been about more than just savings but about transforming and improving services. They estimate that it would cost each council £400,000 to unravel the existing system and employ separate chief executives and directors.

What's been learned?

Political drive to implement shared arrangements is essential to overcome issues such as individual councils appearing to lose their political sovereignty. Councillors were concerned that a move to shared services would prohibit them from specifying different levels of service from their partners. Bromsgrove councillors initially were afraid that their council would become 'Greater Redditch'. Similarly, Redditch councillors were afraid they would become 'Greater Bromsgrove'. It was a definite advantage that both councils had the same political party in power.

³ A pilot project under the Total Place initiative that looked at how a 'whole area' approach to public services could lead to better services at less cost, by identifying and avoiding overlap and duplication between organisations.

It takes time to build trust between councillors but also between officers. It is estimated that it took at least 12 months to build that trust and considerable staff engagement to maintain morale. The two councils had different terms and conditions and making changes to these limits the speed of implementation of shared services.

In order to resolve any conflicts between the two councils, and for the one chief executive to remain impartial, one member of the shared management team is designated to champion Bromsgrove district while another champions Redditch. The requirement for fair and transparent processes in all matters has been essential.

To date the actual savings achieved from moving to shared services have been blurred by the concurrent work to improve and transform them. Both councils have agreed a future three-year programme of service transformation - using a lean thinking approach. Currently the revenues and benefits service for both councils is being subject to the transformation process and will then become a shared service. This will provide a much better service for the customer and greater efficiencies than come from simply sharing a service.

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Case study 2

East Lindsey District Council and South Holland District Council: merged back office functions

What was the approach?

East Lindsey District Council and South Holland District Council have established shared services across five back-office and high-volume transactional services:

- customer services
- revenues and benefits
- information and communications technology
- human resources
- finance.

The councils have been working together on developing the approach for the last three years. (Initially the approach was being explored with Boston Borough Council as a third partner).

Over the next 10 years from 2011/12 the two councils expect to save just over £30.7 million. The councils have taken population as the basis for apportioning costs and savings. This allows costs and savings to be aligned to the principles laid down in the calculation of the formula grant and council tax. Over the ten-year period, the savings for East Lindsey will be around £19.4 million and for South Holland approximately £11.4 million.

A significant feature of the approach is that the two councils have chosen to create an arms-length jointly owned service company to deliver the shared services. The approach taken by the councils is in contrast to other approaches, such as the East Kent partnership, which has chosen to operate under a joint committee of the participating authorities.

The councils sought Secretary of State approval to set up a wholly owned and controlled local authority company limited by shares. The distribution of shares reflects the councils' investment, with East Lindsey owning 63 per cent of the shares, but control is 50/50 with each council having one vote. The councils can give their work to the joint venture company without having to go through a procurement procedure (under the Teckal exemption). The company will also be able to provide services to other organisations as long as this does not exceed 15 per cent of its total turnover.

Under a management agreement assets have been transferred to the company and staff have transferred under TUPE rules.

The initiative is expected to:

- maximise economies of scale
- maximise resilience to changes in service demand through being able to utilise a larger staff pool
- improve business process and practices
- improve access to skilled and specialist staff
- reduce IT costs over the ten-year period.

It is anticipated that the establishment of an arms length company will be sufficiently different to enable the transformation in culture, working practices and process that is required to realise the savings. The culture change will be established both within the new company and also across the residual staff within the two councils.

The councils have taken the approach intending that it will allow the company to expand over time to encompass other services and also to provide services for other authorities. The approach does not preclude other councils joining at a later stage.

The longer term benefits are expected to come from transformed services rather than from merging existing models or adopting current best practice from within one or other of the authorities.

The councils have put in place a transition fund of £4.65 million to cover the cost of process change, ICT (in areas such as revenues and benefits) and restructuring. Population has also been used as the basis to proportion the councils' contribution to the transition fund; South Holland's contribution is 37 per cent and East Lindsey 63 per cent.

What's been achieved?

Compass Point Business Services (East Coast) Ltd came into effect on 1st August 2010. The directors of the company are drawn from the two councils and include both Chief Executives. The company has recruited an experienced Managing Director who has taken over from the interim MD who managed the set up and transition. The revenues and benefits service and other services transferred to the company on 1st August.

An IT system has been jointly procured for the revenues and benefits service (previously South Holland District Council was Northgate and East Lindsey's core system was Capita). IT for the company's remaining services and for integration with the councils' remaining systems is being delivered through a contract with Hitachi - Microsoft.

Throughout the first two quarters the company has maintained performance on services. It expects performance to improve in the next financial year. The company has consulted on the new structure and is recruiting to posts within that structure.

What's been learned?

South Holland and East Lindsey have been working on the development of shared services for the last three years and a

key lesson for other authorities is that the process will take time.

The councils have worked through the legal and financial implications of the establishment of a jointly owned shared service company and the experience could provide a blue print for others exploring this option.

A lot of the early work on developing the approach was done with the expectation that three councils would take the initiative forward. In the event, Boston Borough Council took the decision not to proceed at that time. A key lesson is that councils will often need to undertake a significant amount of work to understand the costs and benefits to their organisation and also to establish their own attitude to risk. In this case the impact of the withdrawal of one of the prospective partners has not prevented the initiative from going ahead.

There has been a recognition through the process that members and officers need to have the capacity to work in a different way if the shared service approach is to be effective. Members have developed a collective clarity about what is important in the delivery of services and the councils have developed a sharper approach to assessing and managing performance and cost.

There is a maturity in the approach taken by the councils who have recognized that they will be foregoing the opportunity to act entirely independently in relation to those services that have gone into the shared service arrangement.

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Case study 3

East Kent Services model

What was the approach?

Over the last three years the East Kent District Councils – Thanet District Council, Dover District Council, Canterbury District Council and Shepway District Council – have been working to develop a model that could see up to 80 per cent of their services being shared.

The development of the East Kent Services has built on a history of close working between the councils. The move also reflects a locally generated alternative approach to local government reorganisation (LGR) and other initiatives such as the two-tier pathfinders described in the county as the Kent Commitment.

The councils established a formal protocol in 2006 and have used this to progress with a number of shared services including personnel and payroll, internal audit, and waste collection. Following the early success, the East Kent Joint Arrangements Committee was set up in June 2008 to facilitate decision-making around the creation of joint East Kent Services, based on an agreed programme of service integration and also the creation of a four-authority Arms Length Management Organisation (ALMO) for housing management.

The councils explored two main options for the delivery vehicle for sharing services. The chosen option is a 'hosting' model which means that one of the authorities, Thanet District Council, will take on the role as employer of the staff of the shared service. The other approach which was considered was to establish a company controlled by the East Kent Councils.

Concerns about the legality of this approach, particularly whether the well-being powers granted sufficient power to act, has led the authorities to prefer the 'hosted' model at this time. However, the councils have seen this as a journey which could possibly lead to future partnering with a private sector organisation with the potential to trade services.

The councils have set two criteria for the business cases for shared services:

- achieving a reduction of 10 per cent of the combined revenue budget by the second year of operation
- a high degree of certainty around the continued quality of the service.

What's been achieved?

The councils have put in place a governance structure and have agreed the first tranche of services that will migrate to East Kent Services.

The East Kent Joint Arrangements Committee has been established to arrange for the effective delivery of services. The membership of the Joint Committee is made up of the Leader and Deputy Leader from each of the councils. A shared services director has been appointed and will act under powers delegated by the Joint Committee. Operational accountability is to a Chief Executive's Forum.

Three of the East Kent authorities – Canterbury, Dover and Thanet District Councils – have taken the step to take the East Kent Services forward at this stage. Shepway District Council has decided not to participate, but could join at a later time.

The first tranche of services that will be merged are revenues and benefits, customer services, IT services, building control and the residual housing services. The first tranche of shared services are expected to go live in April 2011.

Thanet District Council will be the host for the employment of staff transferred into the shared service. Thanet will also procure the goods and services required to deliver the shared service programme.

The minimum criterion for each service business case is that a minimum of 10 per cent savings against the existing combined budgets must be achieved in the first two years and that an acceptable level of service can be delivered.

The potential savings from the shared services has been estimated on the basis of a 10 per cent saving across all service areas included in the initiative. The first savings from the initiative will accrue to councils in the 2011/12 financial year.

What's been learned?

One of the key lessons for the East Kent experience is that the process of developing an approach to shared services and moving to implementation can take a significant amount of time. The move to establish East Kent Services began in autumn 2008 and although it was predicated on a history of shared services by the councils, it has still taken over two and a half years to get to a point of implementation. This has implications for councils who are seeking to respond quickly to the current financial crisis.

The councils have learned that it is unrealistic and also unnecessary to define final configuration of services and delivery method, recognising that these will evolve over time. The current approach recognises the legal uncertainty associated with the ability of the well-being powers to underpin the establishment of a local authority owned company. The councils have been clear about the first tranche of services to transfer to the East Kent Services and subsequent tranches are indicative.

The business case for shared services needs to be robust. Getting to grips with the financial data for the four councils has been an important task which has helped councils to understand the differential costs and benefits of the proposals.

It has been important to ensure that all members are kept informed of the implications on shared services and that issues of potential concern such as the continued independence of the councils, are addressed.

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Case study 4

Huntingdonshire District Council's approach to a shared call centre

What was the approach?

Huntingdonshire District Council (HDC) has been participating in a shared call centre with Cambridgeshire County Council (CCC) since September 2005. Previously both councils had separate call taking arrangements. Both councils now share a centralised call centre located in joint premises. HDC's contract with CCC covers all aspects of the managed service – servers, software, building rental and business support.

As part of HDC's Customer First Programme work to explore the business options for implementing a contact centre began in 2003. The aims were to improve the ease with which customers accessed services, and the quality of the service customers experienced when they contacted the council. In doing so, HDC wanted to achieve:

- greater access to council services
- a reduction in the headcount of officers responding to customers' calls
- a reduction in the number of telephone numbers
- efficiencies through sharing infrastructure and systems.

HDC considered the estimated costs of the options. It chose to open a call centre managed and staffed by HDC, but sharing the hardware and software infrastructure of CCC.

Two other options were considered:

- implementing a contact centre, specified, procured and implemented by HDC with the staff employed by HDC and management controlled by HDC
- allowing CCC to provide a fully managed service to HDC, whereby CCC staff dealt with calls for HDC using the infrastructure procured by CCC.
- The preferred option was chosen based on the opportunity for significant savings through sharing capital costs across partners.
- HDC visited four local authorities to speak to senior officers who had experience of shared call services to talk about the challenges and barriers to implementing a shared service and help officers understand the costs and benefits.
- Since 2005 HDC and partners have worked to expand the number of services delivered, and to build the shared service. HDC now deals with many services at the call centre including housing, elections, council tax, planning, pest control, payments and tourism.

What's been achieved?

- Reductions in HDC's staff posts from the existing switchboard and operations division generated £71k of savings in the first year of implementation. Other non-cashable benefits were realised as services reinvested efficiencies in delivering better service. Quarterly performance reports to members show the call centre is currently achieving its performance targets, answering 97 per cent of its calls and answering 81 per cent of calls within 20 seconds. Both councils recognise the economies of scale in increasing the resources available through a shared service.

What's been learned?

- HDC have learnt a lot from the experience of sharing a call centre. By working together each partner achieved benefits. There wasn't a 'one size fits all' approach to sharing service - by understanding each other's needs HDC was able to use the infrastructure provided by CCC and still retain control over customer service, and CCC was able to share the cost of the infrastructure with another partner. HDC has understood the importance of maintaining a good quality customer service through recruiting and retaining staff that have the right skills and knowledge of the local area.

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Case study 5

North and North East Lincolnshire Councils shared procurement services

What was the approach?

Prior to 2006, both North Lincolnshire Council (North) and North East Lincolnshire Council (North East) had separate procurement teams. North had a small team of three full-time equivalent (FTE) posts, and lacked the capacity to get the best deal from procurement despite developing a strategic approach. North East had a larger team of six FTEs, which had more capacity but wanted to develop a more strategic model of working. A shared service provided an opportunity for both councils to build on each other's strengths and pool resources to achieve their improvement objectives.

Both councils are a similar size; they are geographic neighbours; and they deliver similar services. They had a successful history of working together on a number of other joint arrangements and projects, so were well placed to take forward shared services. They also had a similar spend profile and supplier base. They saw potential for savings in the greater efficiency of a single process, and the greater buying power that they could achieve by bringing their spending together. North had a procurement spend of £100 million a year, while North East spent £110 million.

They moved to the joint structure over a four-month period in 2005/06, with each council employing half the staff in the new single Procurement Alliance North and North East Lincolnshire (PANNEL). The new structure was deliberately made simple, and no external consultants were employed to set

it up. Through their approach to employing staff and pooling the resource, the councils ensured that a clear exit strategy was available if difficulties were encountered.

What's been achieved?

The councils made savings through the creation of a single team of eight FTEs – one FTE less than the two separate teams. They also saved money through the efficiency of a single tendering process covering the two councils, from a shared governance framework and substantially improved buying power. The single unit operation has allowed staff to specialise in individual areas of procurement, through the introduction of a category management model. As a result they have built greater expertise in their specialisms which has helped them to achieve better results.

Since introducing the joint team, savings across both councils have exceeded £1.5 million, which have been used to support both councils' budget processes. Initial investment of about £20,000 was provided by Yorkshire and Humberside Improvement and Efficiency Partnership and matched with local funds. This allowed the development of joint procedures, harmonised processes and a single contracts database, which were necessary to establish the single team operation.

Some of the largest savings that PANNEL has achieved since its introduction are shown in the following table:

Savings achieved by joint procurement

Contract	Authority	Annual Savings	Whole Life Savings
Landline Telecommunications	North Lincs	£74,000	£222,000
	North East Lincs	£81,800	£245,400
Heavy Construction Vehicles – Plant Hire	North Lincs	£83,794	£335,176
	North East Lincs	£48,882	£195,528
Wheelie Bins	North Lincs	£15,057	£45,171
	North East Lincs	£51,414	£154,244
Worksmart Furniture	North Lincs	£23,000	£69,000
	North East Lincs	£30,243	£90,729
Data Cabling	North Lincs	£21,375	£85,500
	North East Lincs	£13,785	£55,140
TOTALS	North Lincs	£217,226	£756,847
	North East Lincs	£226,124	£741,041
	COMBINED	£443,350	£1,497,888

Staff have been enthusiastic about the new arrangements. They welcomed the opportunity to specialise within different procurement categories, and having the greater spending power of the combined budgets across a larger area. They see PANNEL as innovative, and helpful to their own development. The success of the shared approach has helped to raise the profile of the team locally, regionally and nationally through providing opportunities to showcase their work.

The joint arrangements have allowed the councils to establish a new joint post for an analyst, who monitors savings and has helped to improve the quality of data and commercial intelligence available to the

team. There have been further benefits in the development of improved performance management, with information provided in the same format across both councils.

Suppliers have found benefits in dealing with a single service as well – in many cases they only have to complete one tender instead of two. A survey of suppliers in 2009 found that 88 per cent in North East, and 94 per cent in North, were fairly or very satisfied with the ease of tendering with the councils.

The wider experience of different delivery models and structures has developed local understanding of procurement management. The success of the shared arrangements has been helpful in demonstrating the benefits

of a joint approach to council members, and the councils are now looking at other opportunities for shared services. A range of service managers from both councils have also formed better working relationships, and have been able to share ideas.

Some specific procurement areas – such as construction, ICT and facilities management – have made use of their broader experience from shared arrangements to introduce more challenge and innovation. For example, the two councils took part in an e-auction for IT equipment which has led to savings in excess of £250,000 for both.

Now that the shared service and category approach have been successful in achieving savings, the councils are hoping to further reduce costs through management of demand and by implementing a full category management approach – a development which wouldn't be possible under separate procurement teams. In future they hope to achieve better efficiency in areas such as specification design, volume management and variety reduction. For example, controlling demand for agency staff could have a substantial impact on reducing costs.

What's been learned?

The councils emphasise the importance of a pragmatic and proportionate approach to risk. Early on they established a joint statement of the principles of working together, and developed a joint management board to oversee the process, with buy-in from elected members. They have emphasised the joint approach as an opportunity for staff and for the council, while maintaining an exit strategy if outcomes were not adequate.

The PANNEL team is still divided between two different sites. As a result it has been important to encourage the development of a single team identity. To some extent this has been helped by the use of the category specialist model, and also by:

- harmonised job titles
- regular meetings of the whole team
- cross-site working
- joint projects.

In addition, staff attitudes have been positive throughout; the right combination of personalities has contributed substantially to the success of the shared service.

Careful planning is needed to identify opportunities where joint procurement would add value and to enable requirements to be joined up to meet the timescales specified by end users.

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Case study 6

South Hams and West Devon District Councils shared services and management

What was the approach?

South Hams and West Devon District Councils have taken what they describe as an 'organic' rather than 'big bang' approach to the development of shared management and services. This has meant taking advantage of opportunities as and when they have arisen, such as vacancies resulting from the natural progression of staff members. The first post to be shared was that of the Chief Executive. To date the councils have shared revenues and benefits, human resources, environmental health, legal, media and communications. The councils expect to have considered all services for sharing by Spring 2011.

To progress their sharing ambitions the councils established a joint steering group comprised of three members from each council, including the leaders and deputy leaders. The group meets every six weeks to receive business cases for new propositions and review the progress of services that are already shared. The steering group is not a decision making group but makes recommendations to the separate councils. To date there have been no cases where the councils have taken contradictory views on recommendations made by the steering group. Every three months there is a joint meeting of all members from both councils to look at what has been achieved so far and to look ahead.

Revenues and benefits was one of the first service areas to be shared. West Devon's revenues and benefits service had been

provided by Capita since 1996. While outsourcing had initially delivered financial savings, by 2006 the cost of the service was becoming prohibitive for the council. A particular challenge for both councils is providing good levels of customer access to a large rural community. West Devon's approach to deal with this problem had been to provide a satellite office. South Hams had taken a different approach, providing home visits for benefits customers. The home visits had led to a dramatic reduction in the time taken to process benefit claims.

The councils had recognised that savings could be realised from a rationalised management structure across the councils. Sharing was also seen as a mechanism to raise the performance of both services to that of the higher performing council.

What's been achieved?

Sharing a revenues and benefits service has enabled the councils to realise economies of scale and develop a more robust service. Sharing created the critical mass necessary for the service to be redesigned, with an increased emphasis on staff working at their own and at claimants' homes. There was an investment cost of around £300,000; part-funded by the South West Improvement and Efficiency Partnership.

The new shared service became operational in October 2009. In its first year of operation the shared service delivered savings of around £0.35 million. The additional costs of home visits are more than outweighed by administrative savings from reducing double handling and processing incomplete benefit claims.

Levels of performance and customer service have improved for both councils. In West Devon the time taken to process new standard claims was halved to 13 days within

the first six months of the new service being operational. Benefit surveys have shown a satisfaction rating of over 97 per cent.

What's been learned?

There is an important role to be played by council leaders to foster enthusiasm for shared arrangements and to promote good relations with partner organisations. Trust between partners is essential to overcome concerns about the apparent loss of control that results from sharing.

Once members start to see the financial savings they are likely to want to share more. This has been helped in South Hams and West Devon by the councils' gradual shift to shared services which has resulted in almost no redundancy costs. Each shared service starts with a five-year business plan demonstrating how savings will be achieved in each year.

Outsourcing might be ostensibly cheaper in some cases, but politicians are likely to be wary of losing jobs in the local area – especially in such difficult economic times.

The councils are constantly looking out for further opportunities to share and seeking to expand their existing shared service partnerships when opportunities arise, such as when a managerial post at another council is becoming vacant.

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Case study 7

South London Waste Partnership

What was the approach?

The London Borough of Sutton (Sutton) has been working with its neighbouring boroughs of Croydon, Kingston and Merton since 2003. Together these boroughs serve approximately 800,000 residents and manage over 500,000 tonnes of waste per annum. Initially, work included joint bids for grants to develop new waste infrastructure and services such as garden waste composting facilities and food waste collection.

In 2006 the boroughs formed a partnership – the South London Waste Partnership (SLWP) – to procure waste treatment and disposal contracts in anticipation of the ending of three of the four boroughs' existing contracts in 2008. Sutton had a contract until 2014 but could terminate early in 2009. The aim was to deliver better economy, improved services and address the requirements to reduce the amount of waste going to landfill as a result of the European Landfill Directive.

Work to explore the options for joint procurement started in 2005. The boroughs jointly commissioned market research to test what would be an attractive proposal and provide the best value for money. This comprised both desk research and two days of meetings with waste management companies and other interested parties.

This process concluded that procuring together would be more economical, increase interest from potential contractors and provide greater opportunities for joint working.

Each borough wanted to achieve efficiencies through economies of scale, shared assets and services, and joint appointments. It was agreed to be financially beneficial for all four London boroughs to form a waste partnership. They set up a formally constituted joint waste committee comprising Cabinet/Executive members from the four boroughs to govern the partnership and a legally binding inter-authority agreement to formalise procurement arrangements and oversee contract management. The market testing exercise informed the partnership's decision to procure using two phases. The first phase comprised three contracts and the second, a contract to treat residual waste.

The boroughs invested in external advice from a consortium led by Pricewaterhouse Coopers (comprising PWC, Entec and Eversheds) to ensure that effective governance arrangements were put in place and appropriate legal and financial support could be provided.

In 2007/8, SLWP commenced the first phase of its joint procurement for:

- landfill and transportation using the 'Open' European procurement procedure
- management of seven household waste Re-use and Recycling Centres (RRCs) using the 'Restricted' procedure
- materials recycling capacity, green waste composting, food waste composting and additional treatment using the 'Competitive Dialogue' procedure.

The landfill contract was split into 'lots', one lot for each borough together and lots for the Partnership, with and without Sutton. This allowed the Partnership to demonstrate financial benefit if the boroughs procured together.

The management of RRCs was chosen as this service requires different skills to other waste 'disposal' contracts. The contractor was set targets of recycling performance with incentives to support these.

The results of the exercises meant that the Partnership derived greater economy from joint procurement, Sutton however would incur costs to change and these included the cost of terminating its existing contract. The Inter Authority Agreement however allowed for compensation to be paid by the other boroughs on the basis that they remained financially better off with Sutton's inclusion.

As a result of the success of these procurement exercises the Partnership is currently procuring a further contract for the treatment of residual waste. This is due to be awarded in Autumn 2011.

The success of the Phase A procurement also led to the four boroughs developing a joint waste planning document (Waste DPD) to provide sufficient sites to manage all the waste produced within the sub region.

What's been achieved?

Since establishing the SLWP, the four boroughs have improved performance in recycling and composting, reduced waste going to landfill and made savings of £3.5 million (gross) through joint procurement.

From the first phase of contracts, SLWP achieved:

- significant financial savings over the first five years of the contracts
- increase in the volume of materials accepted for recycling
- composting/AD capacity for food waste processing

- green waste composting capacity of 15,000 tonnes
- energy from waste capacity of 10,000 tonnes
- increase in recycling rates from 30 per cent to over 75 per cent at every RRC
- online access to waste and recycling data 24/7.

By working in partnership, SLWP has also:

- utilised the skills within each borough to greatest effect
- provided itself with greater resilience against the impact of changes in volume and composition by pooling waste
- developed a Landfill Allowance Trading Strategy to reduce the impact of this scheme
- become experienced in the use of Competitive Dialogue to deliver greater benefits
- produced a joint municipal waste strategy
- enabled the production of a Joint Waste Development Plan Document to manage all waste more effectively across the sub region.

What's been learned?

Sutton has learnt about the importance of having shared objectives when setting up a partnership with other organisations and working with like-minded people who share the same ambitions and goals. Its experience of SLWP has shown the importance of establishing successful member governance arrangements, effective board structures and the value of pooling of knowledge and expertise across management structures.

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Case study 8

South Oxfordshire and Vale of White Horse District Councils' shared waste management services

What was the councils' approach?

South Oxfordshire (South) and Vale of White Horse (Vale) District Councils have already put in place a shared management structure. This provides the foundation for developing a shared approach to providing most frontline services. Their objective is to maximise efficiency and to protect services at a time of increasing financial pressure. After successfully developing a shared approach to finance and benefit services in 2006, the two councils decided that their waste management services had potential to achieve savings through a joint waste collection and recycling contract. Both councils already outsourced their waste management, and their geographical proximity made it feasible and efficient to approach the market on a joint basis.

Discussions had to start early, as their existing contracts ended on different dates – South's in June 2009, and Vale's in October 2010. Originally a third district was involved as well. Waste directors from all three councils tried to negotiate a single specification and approach throughout 2008. This took some time as all three had different approaches that needed to be reconciled, requiring a measure of compromise from all involved. After about a year, they decided that agreement could not be reached with the third potential partner, but as South and Vale were more accustomed to working together they were able to come up with an agreed single approach.

The two councils decided to allow the waste management market to recommend the best systems for waste collection and recycling, and they invited the widest range of ideas about what would work best. The joint approach allowed them to benefit from economies of scale, as well as the efficiencies gained from avoiding duplication of work. The contractor they chose was Verdant, which recommended weekly collection of food waste, fortnightly collection of recycling and household waste, investment in new freighters with in-cab technology, and wheelie bins with microchips to allow the collection of more detailed data on waste quantities.

What's been achieved?

In the first year of the new waste collection arrangements, South's recycling rate went from 44 per cent to 70 per cent, making it the best in the country. As a result South generated an extra £400,000 in recycling credits, paid by the county to the district councils for achieving less than their land-fill quotas. The total additional recycling credit generated for both councils will be £710,000 in 2011/12.

Vale only changed to the new contract in October 2010, but initial results mirror South's. Both councils have estimated their total savings for 2011/12, as compared with 2008/09, as follows:

Costs and savings – Full year impacts (£s)

	South Oxfordshire	Vale of White Horse	Totals
Waste contract	-145,260	-535,140	-680,400
Recycling credit income	-478,660	-231,760	-710,420
Waste team re-organisation savings	-77,500	-57,610	-135,110
TUPE and harmonisation costs	77,000	74,000	151,000
Total	-624,420	-750,510	-1,374,930

The councils had some one-off costs in relation to:

- redundancy costs on moving to a single client team (£40,000)
- new wheelie bins (£4,500,000).

The councils will have recouped their initial investment costs within a little over 3 years of the new arrangements coming into effect. The investment in new bins will also help meet the health and safety requirements which are prompting all councils to consider using bins rather than bags.

The main non-financial benefit has been substantial improvements in performance, in terms of achieving the best recycling rates in the country. This has resulted in South and Verdant winning a Local Authority Recycling Advisory Committee award for Best Improved Recycling Rates. Customer satisfaction has also improved – after some initial doubts, the majority of residents in South have agreed that the new arrangements are working well. A recent citizens' panel survey found that nine out of ten people were very or quite satisfied with the new waste collection arrangements. The views of residents in Vale are not yet known.

Collection methods are now quicker and more accurate, allowing improvements in customer service. Data is more detailed, and can be examined at the level of property, street or ward. This has allowed the creation of a league table for levels of recycling between parishes, which will encourage parish councils to promote the scheme and will provide ongoing motivation for local residents. The improved data is also creating greater peer pressure between the districts to achieve better recycling levels.

The success of the shared approach to finance and waste service management has encouraged the districts to continue with the development of more joint services, including legal and democratic; economy, leisure and property; planning; commercial; corporate strategy; human resources, ICT and customer services; and housing and health. The new shared arrangements are planned for completion in March 2011, and total savings for both councils have been estimated at £3.5 million annually.

What's been learned?

Compromise is necessary to create a shared approach. The shared strategic director – who was formerly director for Vale – reports that he initially had to be prepared to concede more than 50 per cent of his original requirements in any inter-council disagreements, giving up professional and local sovereignty. He says that this is the key mindset required for any form of joint working – be prepared to lose over half of any disagreements in order to reach a compromise.

The 'big picture' objective is always more important than specific differences of opinion. In practice, there are very few unique local needs, and councils can harmonise all local authority services through negotiation provided there is a will to do so. This means it's also best to start early – the Oxfordshire councils began discussions two years before the earliest date of expiry of the existing waste contracts.

Trust the market. The development of a joint specification, put to the open market in waste management services, has led to a highly effective and efficient contract. But inevitably there are teething problems with the introduction of any new system. Both South and Vale were met with initial hostility from some residents to the use of chipped wheelie bins, and there were difficulties with enquiry phone lines handling the volume of initial queries, for example about failures to deliver the new bins in time. Councillors were also initially unhappy with residents' reactions and hostile media coverage. However as the new collection arrangements have settled down, and the savings and improved performance rates have become clear, there has been a turnaround in public attitude.

Keep on top of project management. With hindsight some of the initial problems could have been prevented by a more hands-on approach to managing the contractor's preparations. As a result, greater capacity was needed to handle queries in the first few weeks than was initially expected.

Be realistic about risks. Sometimes councils are under pressure to estimate better financial gains than they can actually achieve. If anything, it's better to start with the worst case scenario, for example assuming maximum redundancy costs and minimum savings. Operational risks should also be fully considered to ensure the most rigorous project management is put in place.

Make use of the experiences of others. South and Vale visited other sites to discuss their experience of waste services procurement, and found it was invaluable to know about the problems other councils have had.

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Case study 9

Weymouth and Portland Borough Council, West Dorset District Council and Purbeck District Council: The Revenues and Benefits Partnership

What was the approach?

In 2004 Weymouth and Portland Borough Council and West Dorset District Council recognised that financial constraints and staff turnover were limiting improvement in their revenues and benefits services. They began a project to bring these services under one management structure, with a shared governance and risk structure, to provide a single service for people in both council areas. The objective was to combine skills and resources, in order to provide a better and more efficient service for local people. They brought the services together on one site in 2006, and Purbeck District Council joined the partnership in 2009.

The councils also considered outsourcing the service to a larger national organisation, but chose instead to share services to keep jobs in the local area. They sought legal advice about the best approach to governance, and as a result they established a partnership board with members from both councils, later extended to include Purbeck. They used a revenues and benefits consultant to provide support and advice on the alignment of procedures.

The Revenues and Benefits Partnership projected savings of £558,875 over a four-year period – the equivalent of saving 6 per cent of staffing budgets. DWP provided performance standards funding of £309,000 in 2004/05 and 2005/06. The original two partners each provided £13,000 and £67,250

in the same two years, and when Purbeck joined in 2009/10 all three invested a further £320,000.

What's been achieved?

The Revenues and Benefits Partnership delivers better services which have a clear plan for future improvement, and now operates with six per cent less resources than the councils' separate services. At August 2010 the savings from establishing the shared approach were calculated in excess of £1 million, substantially more than originally projected. Approximately half of these arose from savings in staff costs, and the remainder were due to procurement savings on items such as IT and joint use of resources.

In addition to improving services at reduced costs, the councils have benefitted in the following areas:

- sharing of good practice; for example using experiences from all three authorities to produce combined procedure guidance to all staff
- better resource management and robustness of service – for example, operating from the same IT platform avoids duplication of software testing in each council. Also increased staffing allows better management of staff cover day-to-day work and more efficient management of peaks and troughs in workload
- co-ordinated working
- improved customer service and service delivery – for example, benefit processing times have improved significantly, despite increased workload and reduced staff
- the addition of a third partner and capacity for further development – for example, the partnership is considering introducing Capita Self Service, which would allow customers to access their details online.

The success of the Revenues and Benefits Partnership has paved the way for a full merger of services and officer structures in the two councils that founded the partnership. A joint Chief Executive has been appointed, and in January 2011, Directors were appointed to form a new joint management team. Joint Service Managers will be appointed in April 2011 before all services are merged.

What's been learned?

One of the biggest challenges to a shared approach was the difficulty of reconciling the different terms and conditions of employment from the original two partner councils. The combined service at first brought together 80 staff, who remained employed by the separate councils on their different terms and conditions, causing some dissatisfaction amongst staff. Then West Dorset District Council became the employer for the Weymouth and Portland staff, who transferred to West Dorset's terms and conditions. Now that Purbeck District Council staff have joined the partnership, they have remained employed by Purbeck as their terms and conditions are broadly similar. The councils now agree that it would be preferable to resolve these differences and align terms and conditions before combining separate services.

The other main challenges were:

- the time taken to establish the partnership – it took a year from starting initial work to achieving the full merger to one site
- bringing over 100 staff together into one organisation and establishing a new culture;
- overcoming IT issues such as operating on multiple sites
- the introduction of new working practices in every area

- the introduction of the same document management platform for all three councils
- the conversion of Purbeck's data to the same IT platform as the other two councils.

There has also been some opportunity cost – for example, the Technical Team has spent time on converting data, which might otherwise have been spent on introducing improvements such as Capita Self Service sooner. In general all teams have had to revisit working practices, which the authorities may not have done independently. But overall, savings have significantly outweighed these possible costs.

Key to the success of the partnership has been the active support of members and officers, and the development of trust between those involved. The goodwill and commitment of staff has also been vital.

The successful partnership for revenues and benefits services has given members and officers the confidence to develop joint working across all council services, and has provided the template for full partnership between the two councils. They have aligned their processes at operational level, and where possible they are taking the 'best from each' approach.

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