Branch guide to shared services
The concept of ‘shared services’ has been used to describe a wide variety of arrangements by local authorities across the UK. Broadly, these arrangements are either ‘public-public’, or ‘public-private’. Sharing services has been seen by some local authorities as a way to limit the effect of government cuts. Public-public arrangements can be beneficial to members and service users, and can help to secure the long term future of directly provided local authority services. Public-private shared services pose many threats to members and are often just another form of privatisation. Much has been written and said about shared services. This guide aims to briefly highlight the key aspects and set out actions UNISON branches should take.

1. Shared services – overview

2. Examples of shared services

3. Branch action
1. Shared services – overview

All shared services essentially fall into one of two categories – ‘public-public’ or ‘public-private’.

Public-public models involve one local authority sharing a service with another public body. For example, Craven and Selby district councils in North Yorkshire have developed a shared ICT service, hosted by Craven. Selby’s Chief Executive also works a few days a week at North Yorkshire County Council to establish further options for shared services. The sharing of chief executives and senior management teams is increasingly happening across local authorities.

Public-private shared services involve a local authority sharing a service with a private company. They often form a joint venture company to enable this. For example: Staffordshire County Council have formed a joint venture company with Capita\(^1\) for the provision of school support services. The council owns 49% of the company and has two directors on the board. The rest of the shares are owned by Capita.

For both public-public and public-private shared services, the following arrangements can be used:

- Contractual
- Joint venture

Some arrangements are specific to public-public shared services, such as:

- Administrative arrangements (including delegation of functions)
- Lending staff
- Joint committees
- Joint boards
- Combined authorities

\(^1\) http://www.staffordshire.gov.uk/business/investment/ Education-Support-Services/About-ESS.aspx
Arrangements

Contractual: This is where one organisation enters into a contract with another. The contractual model hardly constitutes sharing a service. It is simply a transaction confirmed in a contract. However, it is sometimes described as being a form of ‘shared service’. This may be one council choosing to enter into a contract to buy certain services from another council or a council agreeing a contract with a private provider. These arrangements should be relatively straightforward and do not require the setting up of new companies. However councils may need to comply with procurement rules depending on the nature and value of the contract.

Often a ‘Service Level Agreement’ (SLA) will be used rather than a contract where the local authority is entering into an agreement with another local authority, or perhaps the community and voluntary sector. The SLA is a formal agreement negotiated between both parties but falls short of being a contract, relying instead on administrative rather than contract law.

Joint venture company (JVC): This is where a company is created between two or more entities. So this could be a local authority and a private company joining together to create a new company or a local authority creating a company with another local authority or public body. There are numerous possibilities as to how this is done. UNISON’s branch guide to trading companies has more details. Important factors include: the company model, ownership arrangements and governance structure.

Public-public shared service arrangements

Administrative: These are fairly simple arrangements which allow an authority to discharge some of its ‘functions’. ‘Functions’ describes the work that a council would normally carry out as part of its activities as a local authority. A shared service ‘administrative arrangement’ would allow for an authority to discharge specific functions to another local authority.

There are broad powers for councils to set up administrative arrangements. For England and Wales sections 19 and 20 of the Local Government Act 2000 also provide for discharge of executive functions by another local authority’s executive or a committee or member of an executive or by another local authority. They also allow for two or more authorities to exercise some of their executive functions jointly by arrangement.

Procurement consortia are another type of administrative arrangement. They involve local authorities combining their purchasing power to get a better deal from suppliers. These are often informal arrangements. One authority will act as the lead authority, either procuring on behalf of others or establishing framework agreements.

Lending of staff: This can be a simple option for councils which want to share services with other local authorities. Section 113 of the Local Government Act 1972 and section 65 of the Local Government (Scotland) Act 1973 empower a local authority to effectively second a member of their staff to work for another council.

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2 See UNISON’s procurement guidance for more information

3 For more information on procurement see UNISON’s procurement guide
is no change to the terms and conditions of the staff. The identity of their employer does not change. This sort of secondment is often looked at for areas such as legal services and IT.

**Joint committees:** These are administrative arrangements that can be used to bring together two or more local authorities. They are committees of councillors and officers from different local authorities who together direct the running of a specific service. They can be used to make best use of resources across multiple local authorities. In Scotland it is possible, under the 1994 Local Government Act, for the joint committee itself to become a distinct legal entity, enabling it to enter into contracts in its own right. An example of this is Tayside Contracts⁴. In England and Wales the joint committee cannot become a separate legal entity, but the group of authorities can simply choose to appoint one of the councils as the lead authority or lead employer – entering into contracts on behalf of the others.

**Joint boards:** There is no general power for the creation of joint boards. Specific powers are contained in a number of statutes. These are used for services such as fire, transport, and waste disposal. They are usually created following local government reorganisation, such as the creation of unitary authorities, and would rarely be an option open to a local authority to consider.

**Combined authorities:** These are formal bodies – legal entities – that can be created in England outside of Greater London. The Greater Manchester Combined Authority⁵ was the first, with South Yorkshire and West Yorkshire to follow at some point. The combined authorities are created by a statutory instrument under the Local Democracy, Economic Development and Construction Act 2009. The local authorities have to consent to becoming a combined area. The combined authorities can exercise the functions of their constituent local authorities in relation to economic development and regeneration and exercise any of the functions that are available to an integrated transport authority.

**Process for sharing services**

Moving towards shared services is often a slow process, for good reasons. Creation of each shared service is likely to follow a different route. There is no ‘one size fits all’ approach. Neither are there any legally defined processes for creating shared services. However there are some general trends in how service sharing comes about.

One of the first signs of service sharing, particularly between local authorities, is increased collaboration and sharing of information. UNISON supports local authorities collaborating and seeking to get the most for their money when it comes to procuring goods.

Sharing senior management, particularly the chief executive, is an early step toward shared services. This is particularly common with district councils – including a chief executive working for two districts, or working for the county council for a period of time, whilst remaining chief executive of the district. However this is not limited to district councils. Larger councils have also looked to share chief executives. Sometimes entire senior management teams are shared amongst authorities.

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⁴ [http://www.tayside-contracts.co.uk/](http://www.tayside-contracts.co.uk/)
⁵ [http://www.agma.gov.uk/](http://www.agma.gov.uk/)
The sharing of senior management can generate savings that avoid redundancies elsewhere, though it could be a slippery slope to merging staff at other levels as well. Therefore UNISON branches should treat this with some caution.

Authorities are often looking at services which are duplicated by neighbouring authorities. These include areas such as revenues and benefits, and legal services. There are examples of local authorities either seconding or transferring all staff from their service into that of a neighbouring authority. This allows for efficiencies in things like single databases, subscriptions, and resources.

If local authorities are looking to further collaborate, they may then look toward setting up a joint committee, to run a service between the two authorities. In Scotland joint committees can be granted permission to become legal entities. In England and Wales it is likely that local authorities looking to carry out extensive commercial trading will seek to set up some form of trading company, but it is worth reminding them that as an alternative they can exercise their extensive powers to charge on a joint basis.

Public-private – procurement and costs

When it comes to shared services with the private sector, the informal gradual progression towards a fully shared service as described above is unlikely to occur.

If a local authority wants to share a service with a private company it is likely that in most cases it will move to a procurement exercise.

There is little difference between the process of starting a shared service with a private company and the process for privatising a service. The difference is in the end result, which may be the creation of a new jointly owned legal entity rather than simply awarding a contract to the private company.

A public-private joint venture will not be wholly council owned and therefore will not qualify for the ‘Teckal’ exemption from procurement rules. That means that any future work from the council cannot simply be awarded to the JVC – the company will have to bid for it in a competitive tender with no guarantees. In addition, as with any privatised contract, costly contract monitoring arrangements will be needed. And finally if the JVC is being asked to bring in capital investment, interest rates and overall borrowing costs will be higher than those available to a council or public body.

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6 See UNISON’s branch guide to local authority trading companies

7 See UNISON’s branch guide to local authority trading companies
2. Examples of shared services

The information below provides brief examples of different types of shared services across the UK. The Local Government Association has also produced a map showing shared services in England.

Havant Audit Partnership

Arrangement: Informal staff share

Havant Borough Council, Test Valley Borough Council, and Winchester City Council have an arrangement whereby they share an Audit Manager and can use the expertise of staff across the three authorities. This is an example of informal shared service.

East Hampshire and Havant Council joint management team

Arrangement: Sharing staff

There is a shared management team between the two authorities. This has resulted in a reduction of senior management from 15 to 7 positions.

Harrow and Barnet joint legal service

Arrangement: Administrative and staff transfer

Barnet legal service staff transferred to Harrow, and Harrow hosts the ‘Joint Legal Service’. The service provides legal advice to both councils.

Proslect Gwyrdd – waste disposal

Arrangement: Joint committee

Five local authorities in Wales have come together to form a joint waste procurement arrangement. There is a joint committee made up of two cabinet members from each local authority. It operates under a legally agreed ‘joint working agreement’. They are procuring for disposal of waste after recycling and composting. The final decision in the procurement process will go back to the Full Council of each council.

Yorkshire Purchasing Organisation – purchasing consortium

Arrangement: Joint committee

The organisation is a purchasing consortia set up in 1974 as a joint committee between a number of local authorities. The councillors from the local authority serve as the management committee. The organisation procures goods for schools, local authorities, emergency services, and the community and voluntary sector. It generates a surplus which is returned to the local authority members.

West Yorkshire Joint Services

Arrangement: Joint committee

A joint committee consisting of councillors from five councils – it runs a range of joint services including archaeology, archives and trading standards.
LGSS\textsuperscript{17}

Arrangement: Joint committee

This shared service is wholly owned by Cambridgeshire and Northamptonshire County Councils. The organisation has over 1100 staff providing a range of services including HR, finance and investment planning, payroll and recruitment and legal services – to name just a few.

Welland Procurement Unit\textsuperscript{18}

Arrangement: administrative arrangement

The Welland Procurement Unit is a shared procurement service, combining the procurement from six local authorities. Hosted by Melton Borough Council, the service reports to a joint committee of the local authorities.

Greater Manchester Combined Authority\textsuperscript{19}

Arrangement: Combined authority

The ten local authorities of Greater Manchester came together to form the first Combined Authority. Greater Manchester authorities have a long history of collaboration and joint working. The combined authority can exercises functions over regeneration, economic development, and transport.

SouthWest One\textsuperscript{20}

Arrangement: Joint venture with a private company

This is a joint venture between IBM and Somerset County Council, Taunton Deane Borough Council, and Avon and Somerset Police. The partnership was set up in 2007 for an initial 10 year period. The joint venture looks at back office functions and customer services. However Somerset Council have sought to bring services back in house and entered into legal action against SouthWest One for failure to deliver promised savings.

Liverpool Direct\textsuperscript{21}

Arrangement: Joint venture with a private company

This is public-private partnership between Liverpool City Council and BT. Employing over 1,300 people, the partnership delivers a range of services such as HR, payroll, ICT and contact centre services. BT own 80% of the company, with the council owning the remaining 20%. There have been many problems, with a report issued claiming BT were overcharging the council by £10m per year.

Service Birmingham\textsuperscript{22}

Arrangement: Joint venture with a private company

Birmingham City Council entered into a joint venture with Capita. Capita owns two-thirds of the company, the other third is owned by Birmingham City Council providing IT and

\textsuperscript{17}\texttt{http://www.lgss.co.uk}
\textsuperscript{18}\texttt{See case studies on: http://www.eastmidlandsiep.gov.uk/shared-services-collaboration/}
\textsuperscript{19}\texttt{http://www.agma.gov.uk}
\textsuperscript{20}\texttt{http://www.southwestone.co.uk/}
\textsuperscript{21}\texttt{http://www.liverpooldirectlimited.co.uk/}
\textsuperscript{22}\texttt{http://www.servicebirmingham.co.uk/}
contact centre services. An independent review\(^{23}\) of the venture was published in 2012 which highlighted problems with governance, a lack of innovation, issues around partnership working, and a need for improvement for the venture to work.

**Cynnal**

Arrangement: Joint venture between local authorities

Gwynedd Council and Isle of Anglesey County Council established Cynnal in 1996 to provide ICT and curriculum support to schools. It is a company limited by guarantee wholly owned by the two authorities.

**Hoople Ltd\(^{24}\)**

Arrangement: Joint venture between public authorities

Hoople Ltd is a joint venture company between Herefordshire Council, NHS Herefordshire and Wye Valley NHS Trust. The council owns 65% of the company. The company delivers a range of support services across Herefordshire.

\(^{23}\)http://birminghamnewswroom.com/2012/12/independent-review-of-service-birmingham/

\(^{24}\)http://www.hoopleltd.co.uk
Case Study – Tayside Contracts

Tayside Contracts is the commercial trading arm of Angus Council, Dundee City Council and Perth and Kinross Council. It provides catering, cleaning, roads maintenance, vehicle maintenance and winter maintenance throughout the Tayside region of Scotland. It was established as a Joint Committee. It offers these three local authorities the opportunity to benefit from economies of scale, sharing of resources and retention of specialist services.

Tayside Contracts operates under a Joint Committee, which is made up of 18 elected members – 5 from Angus Council, 6 from Dundee City Council and 7 from Perth and Kinross Council. The number of elected members appointed from each council to sit on the Joint Committee is based on where Tayside Contracts gets its income from and this is subject to recalculation every 3 years. A senior councillor from each council is appointed to take on a leadership role on the Joint Committee so one will be the Convenor, another from another council will be the Vice Convenor and the other senior councillor from the third council will be the Vice Convenor elect. This rotates each year. Each councillor on the Joint Committee reports back to their group leader on a regular basis about what has happened at the meeting, so that the administration and opposition within each of the three councils knows exactly what is going on within Tayside Contracts.

Strategic leadership from each of the three councils at an officer level is provided by the Deputy Chief Executive of Dundee City Council, who acts as the clerk to the Joint Committee and their Director of Finance who acts as the Proper Officer.

The Joint Committee model also ensures that any financial obligations are complied with. At a strategic level, Tayside Contracts develop an overarching Business Plan in conjunction with the three councils, which is approved by the Joint Committee. This plan underpins the annual budget exercise, which is approved and monitored by the Joint Committee.

Tayside Contracts has now been operational for over 15 years and employs around 2400 people, with an annual turnover of £65 million providing catering, cleaning, construction, transport, including vehicle maintenance. It provides its own internal support services such as IT, personnel and finance. If an organisation of this size is able to operate on an administrative basis through a joint committee, it is an example for other councils who may be otherwise tempted to over-complicate shared services through unnecessary, elaborate and risky trading company models.

Website: http://www.tayside-contracts.co.uk/

Source: APSE
3. Branch action

Shared services have the potential to be a useful way for local authorities to save money and the public-public model can be a fruitful way of fending off privatisation. However they may involve proposals for ‘efficiency savings’ through removing jobs and/or reducing terms and conditions. Therefore, if shared services are on the agenda, UNISON branches should be active in the process and seek early involvement. The previous pages in this guide highlighted the differences between the arrangements and models for shared services. Like many other things, when it comes to shared services the devil is in the detail.

Generally there are things UNISON branches can be doing to look out for shared service proposals:

● Keep an eye out for key decisions

● Scan through cabinet papers for discussions of shared services

● Treat the sharing of staff, particularly the chief executive, as an early warning sign for shared services

Public-public

If the council is proposing sharing services with another local authority you should:

1. Seek early involvement and input into the process

2. Speak to the branch or branches covering the other council or public authority

3. Question the council as to how proposals will impact employment. You could ask:

   a. Do you propose to transfer staff and if so do you envisage that the transfer would be under the TUPE regulations?

   b. Do you expect there to be any redundancies from the shared services arrangement?

   c. Do you expect that staff would need to re-deployed?

   d. Do you intend to second staff as a result of the shared services arrangements? You will need agreements on which HR policies and procedures will apply and there will need to be an agreed exit process for returning staff if the arrangements break down

   e. How will you guarantee continuity of the LGPS to staff in the affected area? Will they remain within the same administrative area for the pension fund?

4. Find out which local authority is to be the lead authority

5. If your authority is to become the lead authority, you could ask:

   a. Do you intend to recruit new staff to carry out the shared services work?

   b. Will these contracts be permanent and on the same terms and conditions as existing council staff?

   c. Will you be receiving any employees as a result of a staff transfer, such as a TUPE transfer or as part of a secondment arrangement?

Irrespective of which model of shared services is chosen, how the arrangement is to be governed is important. Therefore you need to find out how it is to be structured. Ask what model the shared services will take e.g. joint committee, trading company.

25 See UNISON branch guide to council decision making
If the council is proposing setting up a company, ask:

1. Seek early input to the process, requesting access to information on any companies being considered as a partner in the joint venture
2. Profile the failure of other public-private joint ventures, such as those detailed in section 2 above (e.g., Liverpool Direct, South West One)
3. Ask how big a stake the council is proposing to take – if they are a minority shareholder their ability to safeguard future decisions made by the company on things like conditions of employment, local jobs and service delivery will be severely limited
4. Ask how council-owned assets will be protected and safeguarded for the future should the venture fail?
5. Challenge the assumption that the private sector is more efficient or innovative. Request evidence, or examples of previous success and cross-check these with the relevant UNISON branch to get the real story
6. Ask for input into the design, and reporting on, key performance indicators
7. Challenge the council to include strong and robust break-clauses into the contract, so that if the private company performs poorly the contract can be terminated
8. What are the forms of accountability and transparency?
9. Who do the public hold to account and how?
10. How does the joint venture represent Best Value?
11. Do you propose to transfer staff under

Public-private

The main risk for UNISON members is when the council seeks to enter into a joint venture with a private company. This form of shared services is essentially privatisation.

If the council is proposing to set up a joint venture with a private company:

26 See UNISON branch guide to trading companies for more information
27 See UNISON branch guide to key performance indicators
28 See UNISON branch guide to Best Value
the TUPE regulations? Will you offer secondments as an alternative? Will you require the company to abide by a TUPE Plus agreement (guaranteed protection of pay and conditions including for new starters)

12. Will you guarantee that the company will obtain admitted body status and that all staff – transferred and new starters – will have access to the LGPS?

The points above give you a good start to questioning the council on their plans. However the details in the proposals will throw up further questions and concerns – so seek early support from your Regional Organiser and consider how you can get expert help in analysing the proposals. The Local Government Service Group will be able to point you in the direction of further help.

Further reading

LGA compendium and map of all shared services http://www.local.gov.uk/web/guest/productivity/-/journal_content/56/10171/3511353/ARTICLE-TEMPLATE

CIPFA, Sharing the gain


House of Commons Public Accounts Committee, Efficiency and reform in government corporate functions through shared service centres, October 2012
