

Services shared: costs spared?

An analysis of the financial and non-financial benefits of local authority shared services

Appendix 1: evaluation tool

As part of the research on shared services Drummond MacFarlane has developed and tested a shared services benefits evaluation tool. This can be found on the following link <http://tinyurl.com/cjrt93e>

The tool is designed to help users to understand and to track the costs and benefits of a shared services arrangement. It can be used to help make decisions on whether to set up a shared service or to manage progress on one that has already been established.

The evaluation tool is a spreadsheet designed to help organisations identify and track the benefits being delivered or forecast to be delivered from shared service arrangements. The model does not replace detailed financial planning but is focused on supporting overview and scrutiny committees and member and senior management decision making and benefits realisation tracking.

The first step is to determine the initial **baseline** position for each of the partners within the shared service – identifying the costs of staff, property, procurement of any goods and services and any other key costs that need to be considered. Also, it helps to identify any income that is currently generated by the potential partners.

The tool then focuses on **financial benefits**, helping identify any one-off costs from the move to shared services, for example redundancy costs, or one-off savings, such as a property sale.

There may also be consolidation savings arising from the move to a shared service, for example reduced salary costs for fewer managers, reduced rent or utility costs.

Savings can also be found from changes in the way business is transacted, for example remote working, redesigning processes or reducing errors. There may be costs as well, for example investments in new technology and other equipment.

Non-financial benefits must also be considered. These range from improvements in customer experience and service standards to benefits from process improvement, for example simplification or standardization; and wider economic benefits, such as increasing the level of procurement from small and medium sized businesses.

Some non-financial benefits are difficult to quantify, but for others it is possible to calculate a financial impact, for example reduced sickness absence is an increase in capacity that could be used to generate third party income. The tool is designed to suggest a wide range of benefits that shared services could select to measure their baseline and on-going performance, to show not just cost savings but non-financial benefits from their new arrangements. The listing of non-financial benefits is not exhaustive – instead it illustrates a range of different benefits that may be relevant for a shared service arrangement.

The tool is not prescriptive in how it is used or how costs and benefits are calculated and monitored.

However, it is supported by explanatory notes to help partners agree how to make calculations consistently. This supports a shared understanding of costs and benefits across the partnership both for an initial business case and to monitor performance over time.

We have tested the tool extensively with councils to ensure that it is user friendly. We would like to thank the following local authorities (in addition to the five case study volunteers) for advising on the evaluation tool. Their input was much appreciated.

- Bournemouth Borough Council
- Bracknell Forest Council
- City of London Corporation
- Coventry City Council
- Hampshire County Council
- Royal Berkshire Fire and Rescue Service
- Slough Borough Council
- West Berkshire Council
- Wokingham Borough Council



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