Opportunities and Interest in Shared Services - London HEIs

Report to London Higher

Final Report - January 2011

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1 Executive summary

1.1 Context and background

Shared services in the Higher Education (HE) sector have already been the subject of many studies over recent years. There is now renewed interest in whether shared services can help to deliver efficiencies, reduce risk and improve quality across HEIs in London. Changes in the way that HE will be funded, combined with the Government push to require all public services to deliver 'more for less', has pushed shared services back on the agenda.

There are examples of shared services successfully delivering substantial benefits and improvements in quality across both the private sector and public sector. However, shared services have a mixed history within the HE sector. There are some notable successes including UCAS and JANET, but there have been significant challenges inhibiting implementation, particularly relating to the competitive nature of the sector and the anticipated additional costs of VAT applicability. As a result, implementation of ideas and business plans has been patchy and evidence of efficiency gains realised is often fairly limited.

At a time when many HEIs in London are facing financial pressures and extraordinary change in the nature of funding, all avenues for managing activities and spend are being carefully explored by HEIs. This report sets out the opportunities and current interest in shared services across London HEIs, balanced against HEIs concerns about shared services and the barriers faced in implementation.

1.2 Existing shared service arrangements

There are a limited number of genuine shared service arrangements in place across London HEIs. There are certainly many examples of collaborative working amongst HEIs, but the level of actual shared services is relatively modest with less than 40% of institutions sharing any service. Over a quarter of these are outsourcing arrangements, which aim to deliver better quality of services, reduce risk or lower costs.

In terms of the rationale for shared services, our research found that HEIs consider that shared services arrangements are not just about delivering substantial reductions in costs. The business driver tends also to be related to improving the quality of services or reducing risk. Outsourcing in particular is typically about the reduction of risk rather than cost reduction.

There are a small number of interesting and innovative examples of shared services in place or in the process of being delivered, most notably in procurement, audit and compliance and library services. Well known examples include the Kingston City Group, the London Universities Purchasing Consortium, the Energy Consortium and the services delivered through the University of London.

On the whole, however, there is a lack of awareness and understanding of the different shared services, collaborations and outsourced arrangements that are in place across London. Where services are shared between institutions, that sharing has arisen as a result of informal communications and networking arrangements, rather than formal agreements.

1.3 Appetite for existing and future shared services

Our research has found that the principle of increasing shared service provision is appealing to many institutions. In particular:

- almost a third of respondents to our survey indicated that they were very interested in shared services in the areas of procurement, facilities management and health and safety;
- interest in shared services was generally higher for back office than front office services; and
- over half of all respondents identified cost savings and efficiency as the greatest benefits of existing and potential shared services.

In practice, however, there are a number of obstacles, both real and perceived, blocking the implementation of shared services. Competition between institutions and a desire to retain independence underpin a number of these barriers as interest is typically restricted to those areas of activity considered to be non competitive. Similarly, VAT is frequently cited as a key reason to dismiss the possibility of implementing shared service arrangements.

A further inhibitor to progressing shared services at this time is that HEIs are currently grappling with the more immediate and significant issues associated with funding changes, most notably tuition fees. Shared services can help alleviate some of the cost pressures but only over the medium to long-term. There are likely to be more strategic resource allocation decisions that institutions need to take in the short term as a result of policy changes on tuition fees.

1.4 Opportunity and business case

Looking at the potential opportunity for shared services in the sector as a whole, London Higher member institutions collectively spend £1.2 billion per annum on back office activities and £3.3 billion on front office. Facilities management represents the single biggest back office cost incurred, at almost £400 million per annum.

However, given the extreme diversity of the 42 members of London Higher it is necessary to examine this issue in more detail. Of particular note is the different impacts shared services might have on larger versus smaller institutions.

The specialist nature of the smaller institutions within London, means they operate with minimal, if any, overlap when considering attracting staff, students or funding. Therefore, the issue of competition between institutions is less relevant.

For the larger, multi faculty institutions, however, competition is likely to remain a key barrier to shared services. In addition, larger institutions consider that they have less to gain for a range of reasons:

- with large staff headcounts and substantial procurement budgets there may be minimal scope for scale economies or further efficiencies;
- they consider themselves to have existing in-house expertise and knowledge to achieve savings;
- they are already using frameworks and outsourcing arrangements to minimise costs;
- they already have significant purchasing power and are of sufficient scale to justify specialist staff; and

- they are of sufficient scale to avoid the mismatch of supply and demand associated with certain functional areas.

1.5 Way forward

Based on the findings, key themes and conclusions of this survey, a number of areas are being considered in the development of a London Higher business plan that will progress the shared service agenda.

The research suggests that there is scope to improve efficiency by greater sharing of best practice across the member base, for example in terms of contracting with suppliers and the outsourcing of specific services, alongside participation in proven successful shared service models.

Our findings suggest there would be benefits were London Higher to help spearhead the growth of shared services across its member institutions. This could include development of specific initiatives to share services in functional areas, or a broader role enhancing and facilitating collaboration across the member base to reduce costs.

Based on the research and analysis undertaken, and given the low level of uptake of shared services to date, we suggest that it will be important to start small and grow over time, with more institutions becoming involved as the case is made and the benefits are realised.

2 Introduction

This report presents the findings of a feasibility study to explore the opportunities for and interest in shared services among publicly funded higher education institutions (HEIs) in London. The study examines which HE services, currently duplicated among London Higher members, might potentially be shared and sets out the challenges associated with implementation of shared services. The study concludes by setting out potential solutions that can be deployed to address these challenges.

2.1 Policy context

The Higher Education sector is due to face significant budgetary changes in coming years as public sector funding is reduced and replaced to some extent by funding from individuals through tuition fees. The 2010 Spending Review announced a 40% or £2.9 billion reduction in the overall resource budget for HE (excluding research funding) by 2014/15. It is not yet clear how the move to higher tuition fees will impact on individual HEIs, but it is clear that in the next few years, all are likely to face greater risk and uncertainty over their income.

Universities are presented with the challenge of continuing to deliver the high level skills that are increasingly required to maintain the UK economy's competitiveness but with mixed sources of income. Under this new regime, universities will need to be all the more clear about what their offer is, who they are targeting and how best to market their institution. There will also be greater differentiation and stratification across the sector, ensuring institutions focus on the position of the University and its offering to students. Over the medium to longer-term the outcome of the introduction of the new tuition regime is likely to be increased competition, with institutions competing on price, quality and value for money.

The implementation and successful operation of shared service arrangements offers a genuine opportunity to reduce costs, manage risks and improve quality by eliminating unnecessary overlap in activity or services across institutions, avoiding costs associated with inefficient provision and by leveraging economies of scale.

2.2 Shared services

Shared services has been seen as one of the ways in which institutions can address the reduction in funding and deliver the savings that will be required in coming years. By allowing functions and areas of activity to be delivered at lower cost, and also with the potential to offer higher standards of service, the shared service agenda can play a significant role in supporting HEIs to improve efficiency.

Shared services have a substantial history within the sector at both a national and London regional level. Nationally, there are well known examples including the University Careers Admission Service. At the regional level, the University of London operates a comprehensive range of services shared by its member institutions.

Historically, however, there has not been strategic leadership for shared services for London HEIs as a whole, encompassing the wide range of institutions within the region. VAT has been a significant barrier as an EU VAT exemption on shared services has not been applied in the UK. A consultation on this issue to be launched shortly provides grounds for optimism that this barrier could be removed in coming years.

2.3 Definition of shared services

For the purposes of this report, the definition of shared services will encompass a wide range of models. It is defined as: "*services required by more than one institution, which have been managed into one entity or extended to serve multiple institutions from one host in order to improve service quality and/or efficiency.*"

For ease of reference and in order to clarify categories, we separated the shared service areas into front and back office. These were then broken down into six front office and eleven back office categories, as shown in Figure 1.

Figure 1: Description of front and back-office shared services categories

Back office	Front office
Facilities management	Teaching and learning
ICT	Research
Academic estate	Student accommodation
Marketing	Student administration
Finance	Student support and experience
HR & training	Library services
Professional services	
Research management & support	
Audit & compliance	
Health & safety	
Procurement	

Shared services in the higher education sector can involve the sharing of services between a number of collaborating HEIs, and sometimes between HEIs and other bodies such as further education colleges (FECs) and local authorities.

2.4 Methodology

Our methodology involved identifying examples of shared services in HEIs, case studies of existing shared service models, a detailed survey of attitudes and interest across London HEIs and consultation with VCs and Finance Directors of many London HEIs. Each of these is discussed in greater detail below.

Examples of existing shared services

This compendium sets out the shared service and outsourcing arrangements in place across the London Higher member institutions based on research, the survey and consultations with institutions. The information provided by the survey highlights the categories in which there are shared services and/ or outsourcing arrangements in place. Detailed information on the key shared service bodies or providers is also listed below.

Case studies

A total of 6 case studies describing HE shared services in more detail were also developed. These case studies covered:

- the motivation for the shared services arrangements particularly the duplication of activities the proposition was expected to resolve;
- evidence on costs (people, processes, technology and overheads) and benefits (the possible level of savings) and whether anticipated efficiency and cost reduction estimates were realised; and

- information on the charging methods and the transition to the new shared service model.

Survey
A short internet survey was issued to the Vice Chancellors (VCs) of all London Higher member institutions with the intention of capturing the attitudes of key personnel within HEIs towards shared services. The survey covered the following three broad areas:

- the extent to which institutions already had shared services and/or outsourced arrangements in place;
- their interest in participating in shared services and the anticipated benefits; and
- what the key barriers to implementation were.

The questions, developed in collaboration with the London Higher Steering Group, were designed to capture high-level data about the shared services currently in place and attitudes towards the future of shared services in each institution. The majority of questions were multiple choice answer options, although there was also the opportunity to provide a written response to each question. Development of the questions and multiple choice options were informed by the initial stakeholder consultations and wider research conducted into shared services in the sector.

The survey was issued to the 41 member institutions of London Higher, sent to the VCs by email. A total of 25 responses (or 61% of London HEIs) were received. A broad cross-section of HEIs responded including both smaller and more specialist institutions as well as larger institutions.

Financial data
A spreadsheet template was emailed to all London Higher members asking for information on areas of expenditure for the 2008/09 financial year. Information was requested on total expenditure split by front and back office, spend on outsourced or shared service arrangements, total staff costs and spend on goods and services. In total 14 out of the 41 member institutions provided information, representing a response rate of 34%.

Consultation
We held discussions with 29 London HEIs (typically with the Vice Chancellor) with the aim of understanding attitudes and interest towards shared services. These discussions enabled us to identify:

- the extent to which there are shared service arrangements or collaborations are already in place;
- the scope for extending shared services to other HEIs or with other institutions; and
- plans or ideas for new shared service arrangements.

In addition, we interviewed representatives from FE colleges to understand the initiatives and activities relating to shared services amongst these institutions.

2.5 Report structure
The rest of the report is structured as follows:

- Chapter 3 describes the shared services arrangements that currently exist in London HEIs;
- Chapter 4 assesses the interest in implementing new shared services arrangements amongst HEIs in London, the barriers faced by HEIs and the level of opportunity envisaged;

- Chapter 5 undertakes financial analysis of the London's HEIs, to ascertain in broad terms the level and areas of opportunity, based on data collection from a selection of London HEIs;
- Chapter 6 presents a more detailed assessment of specific shared service categories covering the opportunity, benefits, risk and implementation issues; and
- Chapter 7 summarises the key themes, findings and conclusions from the survey, data collection and consultation, outlining the next steps in order to capitalise on the opportunity.

The Appendices provide further detail as follows:

- Appendix 1 list the names of individuals consulted during this study;
- Appendix 2 provides examples of shared services across HEIs in London; and
- Appendix 3 sets out detailed case studies of HE shared services demonstrating successful and unsuccessful models and lessons learned from their implementation.

3 Existing shared services arrangements

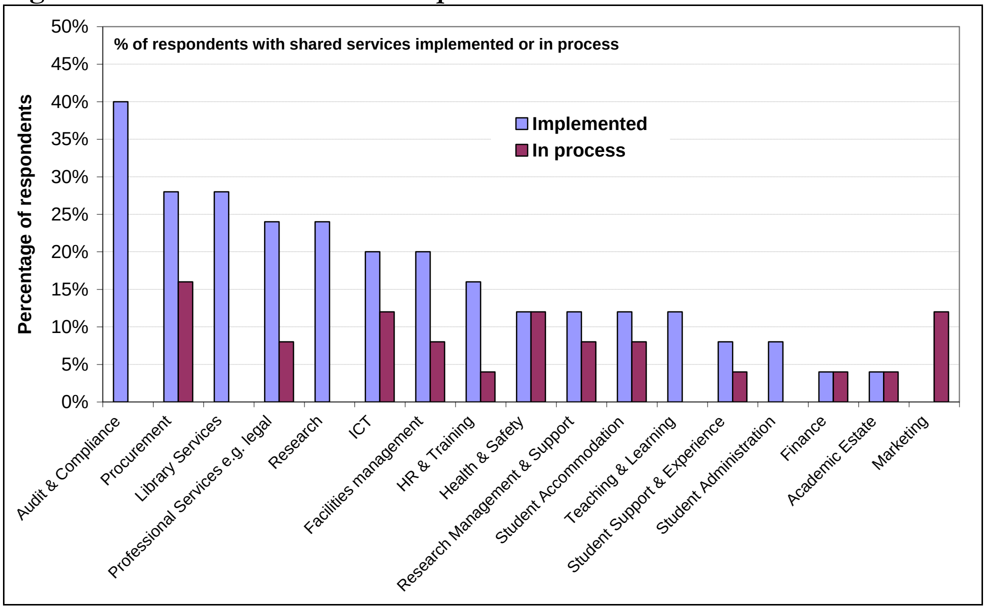
This section describes the shared services already in place in London HEIs, the models used to deliver shared services, the benefits envisaged or realised and the institutions typically most interested in shared services.

3.1 Use of shared services

Our research revealed that many institutions consider outsourcing and other collaborations to be a form of shared service. Under this broader definition, most respondents had some type of 'shared service', in place in one or more categories. The greatest instance of these occurs in back office areas such as audit and compliance (40%) procurement (28%) and library services (28%). Very few shared services have been implemented in the areas of finance, marketing or academic estate. The implementation of shared services *sensu stricto* was low at just 16%

A small number of respondents also indicated that they had tried and failed to implement shared services, particularly in the areas of marketing, health and safety and professional services. On average, respondents spend around £50 million or 5% of their total expenditure on outsourced or shared service arrangements, equivalent to 24% of their total back office.

Figure 2: Use of shared services implemented



Examples of well-known shared services or collaborations across some of London HEIs include[1]:

[1] See Appendix 2 for examples of shared services across London HEIs.

- the London Universities Purchasing Consortium which is a not-for-profit organisation focused on collaborative procurement to achieve savings through economics of scale and scope in the purchasing of goods and services;
- the Kingston City Group which is an in-house shared service consortium providing internal audit services to over 14 institutions in London and the South East;
- the M25 Consortium which currently runs library services, including shared online search facilities and training programmes, across its 59 members (drawn from London HEIs and also some museums);
- the London University, which offers a range of shared services to its constituent colleges such as the Careers Group, Senate House Library, halls of residence and shared promotional events.

There are also a number of high profile shared services that cover the whole of the UK HE sector. These include:

- JANET which is the computer network connecting the UK's educational and research organisations to each other and to the wider global arena;
- the Energy Consortium, which is a UK organisation focused on energy procurement and cost management; and
- UCAS which is the central organisation which processes applications for entry into higher education.

3.2 Shared service models

Shared services can exist in a range of models from informal partnerships and collaborations to more formal arrangements such as joint ventures and outsourcing. The following four types were identified:

- a joint venture model (a separate legal entity formed to provide shared services)
- a joint partnership model (a less formal partnership of organisations for the delivery of common processes)
- a single organisational model (originating from one institution, for example the University of London and the Kingston City Group)
- outsourcing (services outsourced to a third party).

Institutions were asked which models of shared services they used or were planning on implementing.

Outsourcing is the main method by which institutions seek to reduce their requirement to perform services in-house. Institutions typically outsource in order to reduce their risk; cost reduction is not typically the main driving factor. Institutions are focused on quality and ensuring that they are able to deliver a high standard of service. The opportunity to reduce costs is therefore not the driving factor when considering which services could be performed by a third party and why.

Figure 3: Models of shared services implemented/implementing

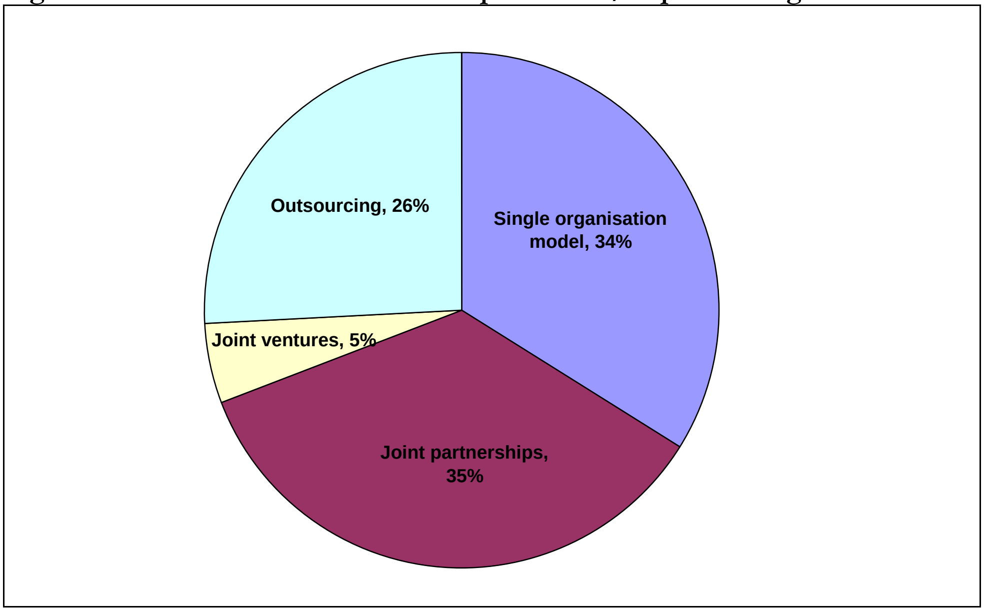


Figure 3 shows the various shared service models that respondents to the survey indicated have been implemented in their institutions.

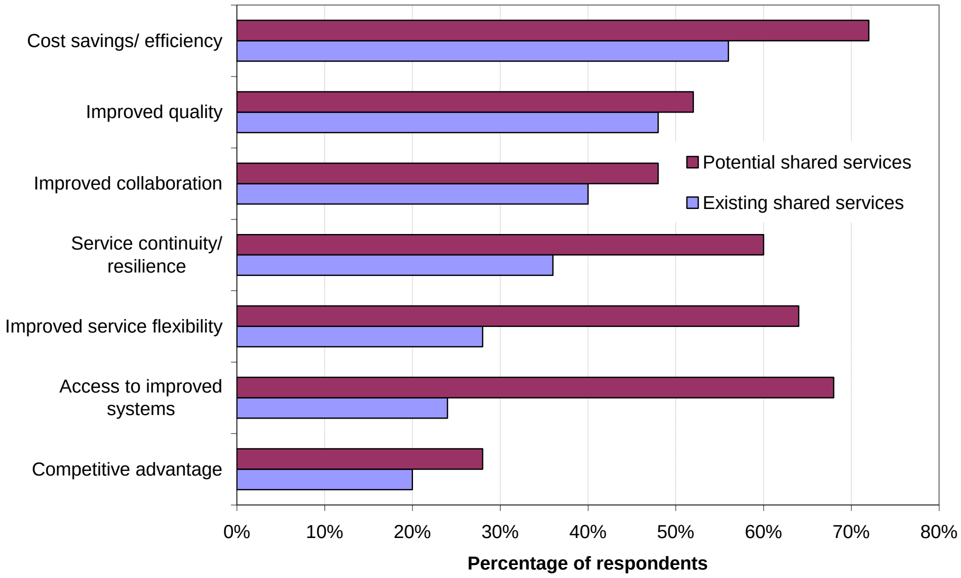
As we are trying to understand the prevalence of different shared service models across responding institutions, the percentages have been calculated as a proportion of the total number of responses to this question (97 responses, with multiple selections by each respondent). Survey responses indicated that joint partnerships (35%), the single organisation model (34%) and outsourcing (26%) are the models most commonly used to operate current shared services. In comparison, joint ventures are used rarely. These findings are in accordance with those identified through the stakeholder consultations. The results show that over a quarter of shared services identified were outsourcing models, suggesting that the frequency of recorded shared service implementation would be far lower if outsourcing was not included.

3.3 Benefits of shared services

Respondents were offered a choice of options to identify the key benefits that had either been experienced as a result of successful shared service implementation or were expected of the shared services that they had indicated an interest in. This also builds up a picture of the key drivers for the implementation of shared services in the HEI sector.

The results highlighted that cost savings and efficiency are perceived as the greatest benefits of existing and potential shared services. Service continuity was also identified as an important benefit for both existing and potential shared services. Improved quality and improved collaboration were named as frequent benefits of *existing* shared services. Access to improved systems and improved service flexibility were perceived to be the greatest benefits of *potential* shared services.

Figure 4: Benefits of shared services



Question:. Please indicate the benefits of shared services already implemented or being implemented and the potential benefits of the shared services you are interested in

3.4 Summary

There is clearly a competitive relationship between higher education institutions, and yet despite this challenge, there is a significant level of shared services and outsourcing arrangements in place among London HEIs. We identified a number of well known shared services in place across London HEIs and also nationally. The survey also showed that most respondents had some form of shared service facility or outsourcing arrangement in place. We identified four models of shared service in use: joint partnerships, joint ventures, single organisation models and outsourcing.

Key conclusions from the analysis of existing shared services across London HEIs are:

- Most respondents had some type of shared service, outsourced arrangement or collaboration in place for one or more of the service categories listed. Of these, over a quarter were identified as outsourcing arrangements.
- There are a number of shared services in place or in process in responding HEIs, most commonly in audit and compliance, procurement and library services;
- The HEIs surveyed identified cost savings and efficiency as the greatest benefits of existing and potential shared services.

4 Interest in future shared services

In this section of the report, we consolidate findings across the activity areas based on the interview programme, survey and financial analysis. Examples of existing initiatives are also described. Note that a sample of more detailed case studies are presented in Appendix xx.

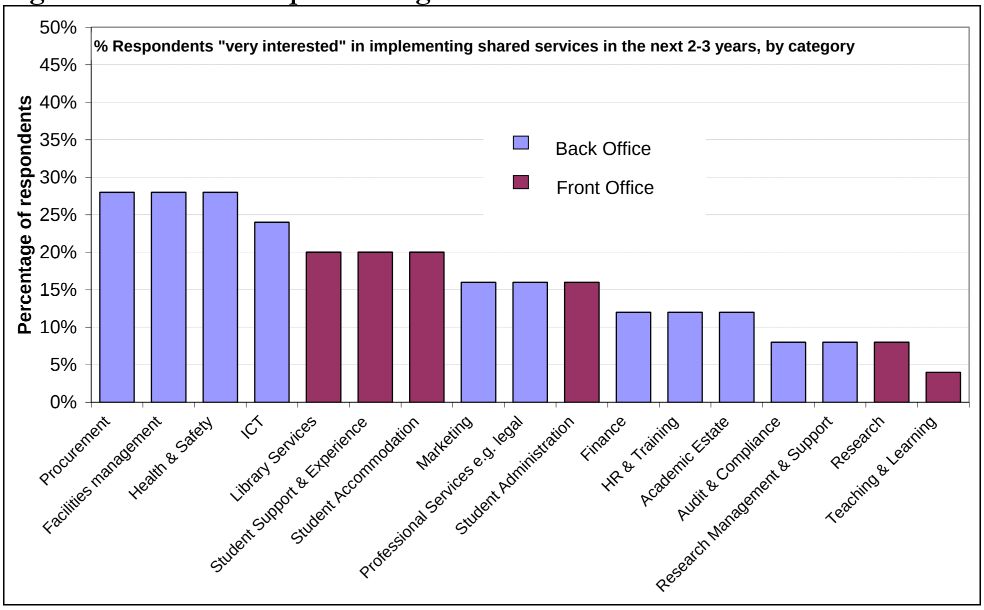
4.1 Interest in implementing shared services

Results from the survey indicate that institutions are more interested in implementing shared services in the back office than the front office, which supports the findings from the stakeholder interviews. Higher levels of interest were expressed in respect of procurement (28%), facilities management (28%), health and safety (28%), ICT (24%), library services (20%), student support and experience (20%), and student accommodation (20%).

Respondents were asked to indicate the shared service areas they would be interested in implementing in the short to medium term (2-3 years). This builds upon the information gathered on existing shared service provision, providing information in support of the extension of provision in particular areas.

The graph below demonstrates that, across the categories, the level of respondents indicating that they were very interested in sharing services within that area of activity was relatively low as respondents more frequently opted for the middle road, indicating a 'possible' interest in most categories.

Figure 5: Interest in implementing shared service



Question. In those areas where you do not have a shared service, which ones are you interested in implementing over the next 2-3 years?

4.2 Interest by type of institution

Specialist institutions are far more interested in participating in shared services than the larger institutions, which partly relates to the comparative scale of anticipated benefits. We have found that it is the smaller, particularly niche or specialist, institutions that are most enthusiastic about the shared service opportunity.

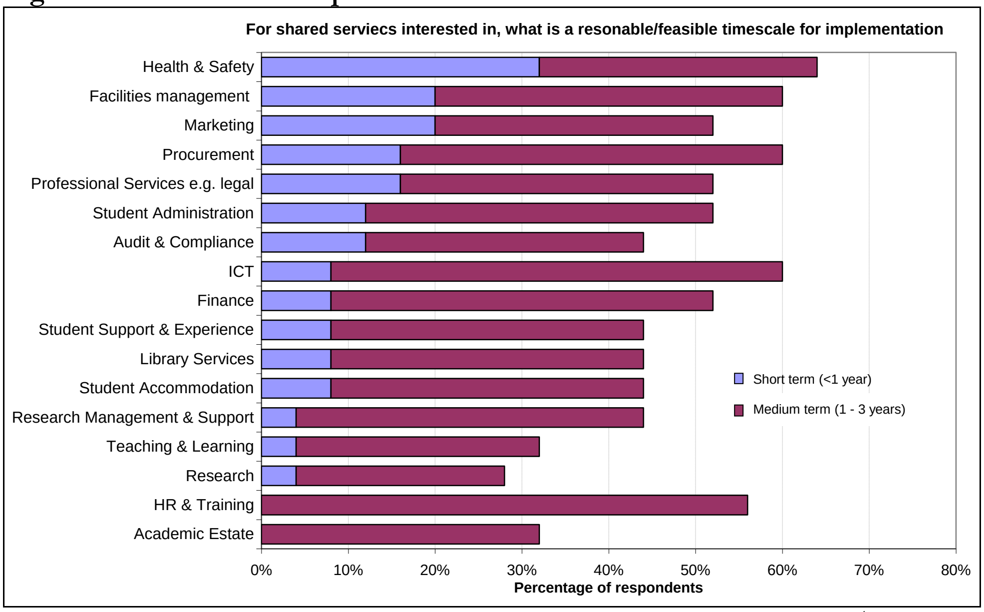
The potential savings and benefits are more significant for smaller institutions, particularly where their size does not fully justify in-house provision across a range of services or activities. Seven of the ten smallest institutions that responded to the survey indicated that they were 'very interested' in one or more of the shared service categories indicated.

4.3 Implementation issues

Next, respondents were asked to indicate whether they would be interested in implementing a shared service in each area in either the short term (less than one year) or medium term (one - three years).

Overall, the greatest level of support was recorded for implementation over the medium term. The areas that attracted the most interest were HR and training (56%), ICT (52%) and procurement (44%). Support for implementing shared services in the short term was substantially lower. However interest did exist for the short term implementation of shared services in health and safety (32%), facilities management (20%), and marketing (20%).

Figure 6: Timetable for implementation



Question: For the shared services you are interested in, what timescale would you consider as reasonable/ feasible for implementation (considering existing contracts, costs of exit and any other matters)?

4.4 Shared service barriers

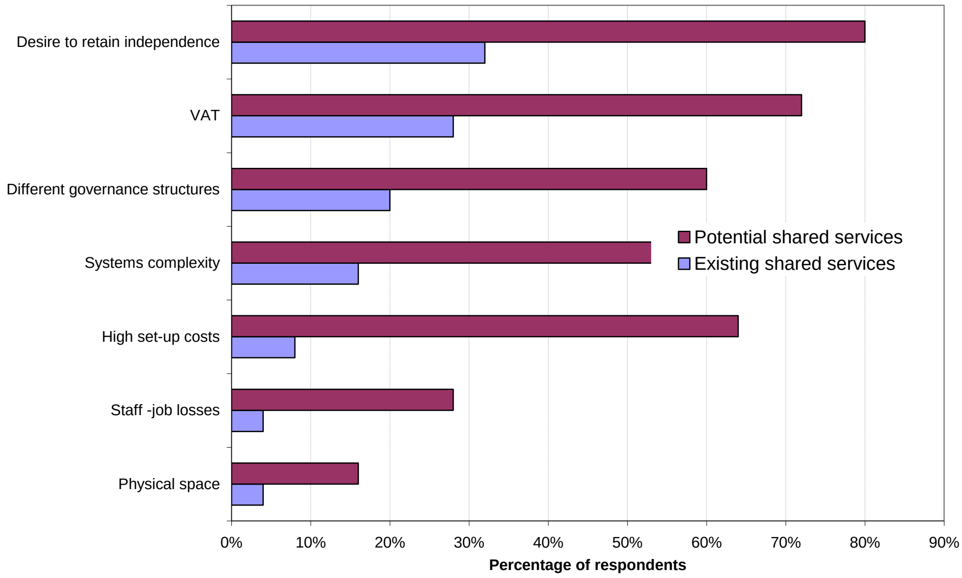
Respondents were asked to identify the key barriers to implementing shared services. They were presented with multiple options, drawn from the information gathered from initial consultations and research in the early stages of these projects.

The most frequently names barriers to establishing both existing and potential shared services were the desire to maintain independence and the cost of VAT. These two points were expressed consistently throughout our research process.

Independence

A number of institutions indicated that the competition that exists in respect of both students and staff recruitment acts as a continuing barrier to the effective sharing of services. This is especially true for some areas where a high degree of competition will typically exist for limited resources, e.g. research.

Figure 7: Perceived barriers to the implementation of shared services



Question: Could you please indicate (a) barriers encountered in implementing existing shared services and (b) potential barriers for the shared services you are interested in

VAT

VAT is considered a real obstacle to the implementation of shared services. HEIs are VAT exempt but cannot reclaim the tax paid on services bought. This means the additional VAT costs on shared services need to be offset against savings. The application of VAT at 20% has prevented some institutions from investigating shared services more extensively. Indeed, there is some evidence (eg Queen Mary) that VAT on outsourced services has been part of the consideration for institutions to bring activities back in-house.

Much commentary and analysis has focused on the VAT issue in the context of shared services in the UK. An EU exemption for VAT on shared services exists, but has not been implemented within the UK. There is optimism that this situation may change. HMRC is planning to publish a consultation document that will seek input on the potential implementation of the EU exemption.

Regarding potential shared services, high set-up costs, different governance structures and systems complexities were also highlighted as potential barriers to implementation. These findings are broadly in line with those of the consultation interviews and the findings of previous research conducted into shared services in HEIs (see for example, HEFCE shared service feasibility studies). Respondents were also given the opportunity to suggest mitigating actions. This will be discussed in the later stages of this report.

4.5 Evidence from previous research

There is a wide range of feasibility studies funded by HEFCE which include consideration of the potential for shared services within the sector. Copies of these reports can be found at: http://www.hefce.ac.uk/finance/shared/feasibility/sort.asp

- A report produced by KPMG in 2006 into shared services in the HE sector identified that there was potential for HEIs to achieve both economic benefits and service improvements through the introduction of shared services, particularly in areas where they are not in direct competition. Those areas that were found to be potentially suitable for the implementation of shared services were wide ranging, going beyond the sharing of basic support functions. Although the report highlighted the lack of available evidence to demonstrate specific cost savings achieved through shared service implementation, it also gave some estimates of potential cost savings for the future through increased participation in shared services.

- CIPFA reported that shared services provide important opportunities to reduce waste and inefficiency and ensure that resources are deployed to target areas. The introduction of new business structures and management systems, improved processes and technologies can play a major role in improving cost-effectiveness and service quality[2].
- Accenture's 'Shared Service Checklist' explains that, due to the particular context in which shared services are most successfully implemented, back office services are often more suitable[3].
- There are examples of shared services being successfully implemented in more unusual areas. For example the Bloomsbury Consortium share a heat and power service. However, this is less common and a recent feasibility study into shared energy facilities between the Sheffield Universities concluded that "the shared service agenda may be best restricted to more conventional service provision[4]".
- A key conclusion of the JISC report on shared services in the HE sector was "The principal impetus for institutions towards shared services is the delivery of better services rather than towards being leaner organisations[5]". It also concluded that there was a low level of enthusiasm for shared services in both the FE and HE sectors.
- A Deloitte report showed evidence of a general scepticism in the public sector towards shared services due to a large number of perceived barriers and risks of implementation[6]. It recommended a dedicated resource to provide a comprehensive pool of information and good practice examples of shared services upon which to draw[7] [8].
- Some previous reports into the subject have mentioned difficulties obtaining exact funding figures, making it hard to calculate savings (for example[9]).
- A political study into shared services noted that internal attitudes within institutions could be a key barrier to shared service implementation. These include concerns about retaining independence, misapprehension that shared services will be incompatible with the distinctive identity of individual institutions and concerns about a loss of control to the

[2] CIPFA (2009) Sharing the gain
[3] Accenture (2004) State of Shared Services and BPO
[4] University of Sheffield (2009) Shared approach to energy services
[5] JISC (2008) Study of Shared Services in UK Further and Higher Education.
[6] Deloitte (2006) One for All… and All for One
[7] Ibid
[8] New Local Government Network (2006) The politics of shared services
[9] Effective Consulting (2008) Shared Services Feasibility Report

third party providers or partner bodies. This last point can be a particular issue in regard to using existing shared service provision where institutions will not be founding members[10]

- Successful shared service partnerships often form where the institutions are in close geographical proximity[11] (for example, the Bloomsbury Consortium) and where there is an existing relationship between the two institutions (for example, City University London and Guildhall School of Music and Drama who have a jointly run MMA/DMA programme[12]).
- Other barriers to implementation are found in overcoming technical and funding issues. These include challenging structural issues associated with moving towards a different model of service provision, resolving tax and legal issues, particularly on VAT, and obtaining and sourcing the funding for necessary changes[13].

4.6 Summary

Our analysis of the opportunity for shared services in London HEIs has found high levels of interest and potential savings in particular shared service categories. However, we also found evidence which highlights that the desire for institutions to retain independence and the VAT issue remain significant barriers to the extension of shared services across this sector. Key findings outlined in our analysis are as follows:

- Almost a third of respondents indicated that they were very interested in shared services in the areas of procurement, facilities management, health and safety;
- Interest in shared services was generally higher for back office than front office services;
- It was typically the smaller or niche organisations which have some sharing of services or resources in place who have the greatest interest in extending the use of shared services;
- There was a generally high level of support for implementation over the medium term, especially in the areas of HR and training (56%), ICT (52%) and procurement (44%);
- Interest expressed for short term implementation was lower, though there was interest expressed in particular service areas such as health and safety (32%), facilities management (20%), and marketing (20%);
- Key obstacles include competition between institutions and VAT;
- Facilities management is an area that shows significant potential for increased use of shared services. Nearly [half?] of respondents indicated an interest in this non competitive area over the short and medium term.
- ICT is the second largest area of back office spend, with a third [where is this figure from? Is it fig2 in 3.1? how a third?]of respondents indicating they utilise shared services in this area, with another 24% indicating they would be interested in doing so.

[10] Ibid
Ibid

[12] Effective Consulting (2008) Shared Services Feasibility Report
[13] PWC (2009) Freeing the Front Line - Where next for corporate shared services in the public sector?

5 Financial analysis

London's Universities collectively spend £4.5 billion each year, directly employ over 94,000 staff and educate an estimated 400,000 students. In this section we analyse the breakdown of this expenditure across a range of activities and undertake some high level financial benchmarking analysis.

5.1 Estimated expenditure by category

The £4.5 billion expenditure of London Higher member institutions splits into £1.2 billion on back office activities and £3.3 billion on front office[14].

Within the back office, the largest area of expenditure is on facilities management where an estimated £393 million per annum is spent. After facilities management, ICT, academic estate and marketing are the areas with the highest levels of expenditure across the back office functions. Within the front office, the key areas of spending are around £2 billion on teaching and learning, followed by spend on research (£470 million per annum) and student accommodation (£330 million) per annum

Figure 8: Estimated spend by London HEIs by category, 2008/9

Category of spending	Estimated total London spend (£m)	% of total Scope
Facilities management	393.0	8.8%
ICT	226.0	5.1%
Academic estate	166.8	3.7%
Marketing	116.6	2.6%
Finance	101.5	2.3%
HR & training	78.0	1.7%
Professional services	31.5	0.7%
Research management & support	31.2	0.7%
Audit & compliance	14.3	0.3%
Health & safety	7.0	0.2%
Procurement	6.9	0.2%
Total back office	**1,172.8**	**26.3%**
Teaching and learning	1,974.4	44.1%
Research	465.8	10.4%
Student accommodation	328.4	7.3%
Student administration	202.3	4.5%
Student support and experience	171.2	3.8%
Library services	160.0	3.6%
Total front office	**3,302.1**	**73.7%**
Total	**4,474.9**	**100.0%**

Source: Grant Thornton estimates based on survey responses and HESA data

[14] 2008/9 HESA data.

The estimates are based on data collected from our survey of HEIs, which achieved a response rate of 34% (from 13 institutions) controlled to the HESA data for total back office and total front office spend.

5.2 Savings from shared services

Shared services can typically make significant savings of the overall baseline costs over the full implementation period. However, the exact savings figure will depend on the circumstances of the institutions, the nature of the shared services and how successfully the service was implemented. The following previous research studies have found a wide range of potential savings:

- The Cabinet Office has estimated that the benefits from sharing HR and finance functions include improved service quality and 20% financial savings[15].
- An example provided in an National Audit Office report into shared services within the prison service indicated a five year payback period.
- NHS guidance[16] on Shared Business Services suggests savings of 20-30%, while evidence provided by the Scottish Government of a private sector example[17] indicates savings within the finance and accounting functions of 35% and that payback was achieved within 20 months.
- Bearingpoint and E-finance lab research suggests that, within the financial services sector, shared service centres can deliver cost savings of 20% or more with a payback period within 3 years[18].

Figures for the savings reportedly achieved from both public and private sector shared services projects are summarised in the table below[19]

Figure 9: Evidence on estimated and realised savings from shared services

Organisation/study	**Financial savings**
Public Sector	
Buckinghamshire Shared Services – NHS	15%
Anglia Support Partnership (E-Gov, May 2006)	18%
Cabinet Office	20%
NHS/Xansa Shared Services Centre (Shared Services Bulletin No 4, 2006)	20%
PricewaterhouseCoopers (public sector, 2006)	20%-30%
KPMG offshoring option (for NHS Business Services Prescription Pricing Division, 2006)	40%-50%
Private sector	
ATKearney – global (private sector, 2004)	14%
ATKearney – European (private sector, 2004) Job reduction of 12% in Europe	18%

Source: European Services Strategy Unit (period of payback time varies)

[15] See 'Improving corporate functions using shared services', National Audit Office, 26 November 2007. http://www.nao.org.uk/publications/0708/improving_corporate_functions.aspx
[16] www.library.nhs.uk/SpecialistLibrarySearch/Download.aspx?resID=330700
[17] http://www.scotland.gov.uk/Publications/2007/12/SharedServicesGuidance/Q/Page/12
[18] www.bearingpointconsulting.com/content/press_8055.htm
[19] http://www.european-services-strategy.org.uk/outsourcing-library/shared-services/shared-services-in-britain/essu-shared-services.pdf

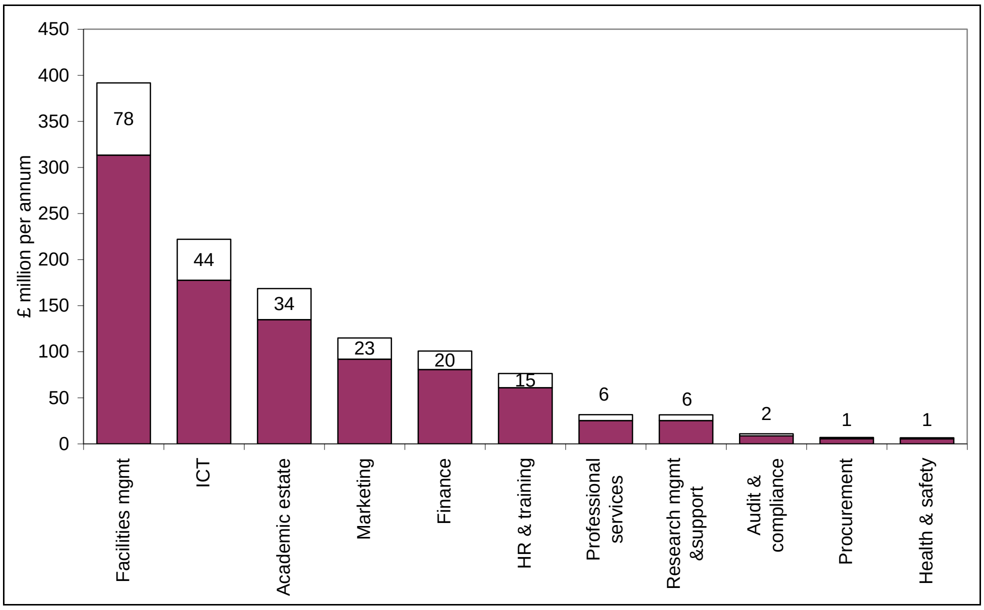
5.3 The shared services opportunity in London's HEIs

Our research in the HE sector suggests that institutions switching to a shared service arrangement could expect, on average, a 20% saving over the long term compared to legacy costs. Savings relating to ICT, payroll and facilities management are expected to be higher, typically in the region of 20-40%.

The type, timing and level of savings differ considerably according the specific area. For example, in facilities management we found an example wehere outsourced arrangements delivered initial upfront savings of 20% against legacy costs, plus year on year annual cost reductions. In other areas, such as finance and HR the payback period is much longer.

An illustration of the potential long-term financial savings is given in Figure 10. Under a scenario of 20% efficiency savings in the costs of delivering back office functions, the financial savings would be around £78 million in the area of facilities management and £230 million across the whole of the back office functions. The exact scale of benefits will vary according to the specific context, and because the associated costs (of set up and implementation) will be specific to the individual circumstances.

Figure 10: Total spend on back office functions and illustration of potential savings



Going forward, the opportunity is set to proliferate. The HE sector is facing significant uncertainty associated with an increase in tuition fees. Although the impact on income will vary for each HEI, an increasingly competitive landscape is certain. This suggests cost efficiency, quality and value for money will become more important, something the shared service sector can capitalize on over the coming years.

5.4 Implementation costs

The consideration whether to pursue shared services within a particular institution or for a particular area of activity would be based on an assessment of the anticipated costs and benefits. In looking to new arrangements, either through sharing services with other institutions, or through outsourced arrangements, the real cost is likely to be clear and transparent.

Costs associated with continuing existing arrangements may, for a range of reasons, be less accurate or feasible to identify. These include:

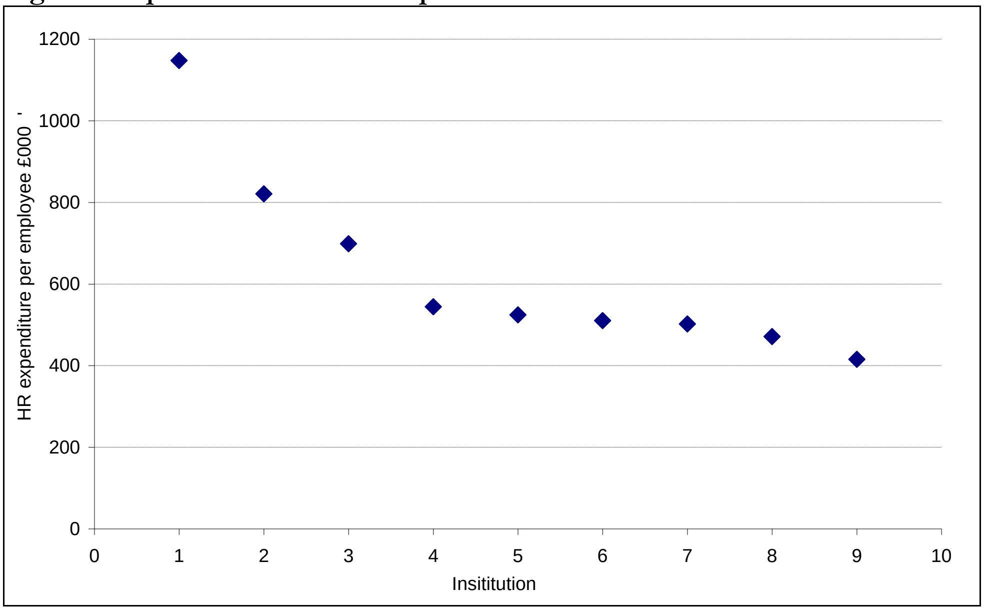
- spend on equipment considered 'sunk', e.g. hardware already purchased;
- lack of transparency regarding staff costs associated with particular activities where individuals spend differing proportions of their time on different activities, which may not be tracked (e.g. through timesheets);
- multiple individuals / overlapping roles which might not be tightly defined, fluid working arrangements, time not tracked in detail;
- multiple funding sources or income streams with different recharging approaches; and
- differences in cost allocation approaches e.g. between faculties / central services.

As a result of this, the decision between the status quo and moving to a new arrangement is likely to be biased towards continuation of existing arrangements.

5.5 Benchmarking analysis

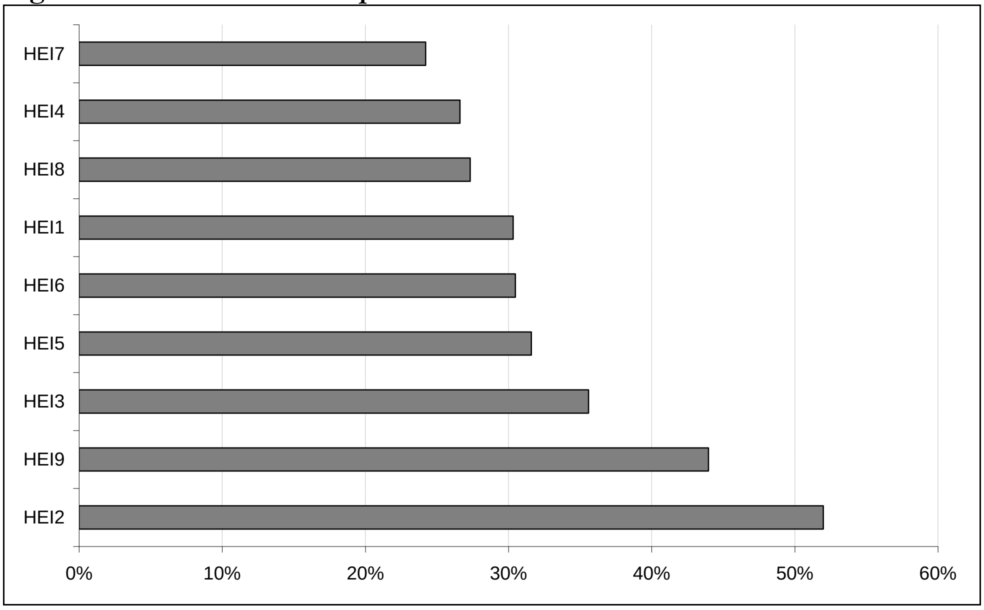
We have undertaken a benchmarking analysis, based on the information provided by 14 HEIs in the areas of expenditure across a range of front and back office categories. Figure 11 indicates the range of expenditure on the HR function per FTE staff member across responding institutions. It can be seen that, even based on this relatively small sample, there is a significant discrepancy between institutions incurring the greatest and least cost of the HR function (ranging from £400 per FTE to £1,150 per FTE).

Figure 11: Spend on HR function per FTE staff member



The proportion of spend on back office functions also varies considerably amongst the responding institutions, as indicated in Figure 12. Of the respondents, smaller institutions typically had higher levels of back office costs in relation to overall expenditure.

Figure 12: Estimate of total spend on back office functions



5.6 Summary

The changing HE policy context may have provided a driver for renewed interest in shared services, in particular its potential to produce cost savings and increased efficiency, as well as improving quality and managing risk..

Within back office services, the largest areas of spend are facilities management (£393 million per annum), ICT, academic estate and marketing. In the front office, the largest areas of expenditure were teaching and learning (£2 billion), research (£470 million) and student accommodation (£330 million).

The analysis indicates that there is a significant range in terms of relative efficiency across a number of indicators in the different service areas, suggesting scope for improvements to be made. If a 20% reduction in back office costs were achieved through shared services, this would equate to financial savings in the region of £230 million.

However, the exact saving achieved will vary according to the service area and context in which the shared service is implemented. There are also a number of 'hidden costs' that make it difficult to calculate the true cost of continuing an existing service (in relation to the potential benefits of implementing a shared service arrangement).

6 Opportunities by area

In this section of the report, we consolidate findings across the interviews, survey and financial analysis to present a summary of the potential future opportunity and interest in each of the following areas[20].

- Facilities management
- ICT
- Finance
- Marketing
- HR and training
- Audit and compliance
- Legal services
- Procurement
- Research management and support
- Student support and experience

6.1 Facilities management

Facilities management represents a significant area of expenditure for London Higher member institutions - estimated at £393 million p.a. By grouping together, there is scope for institutions to contract jointly with (outsourced) providers and reduce their costs for FM services - a model which has been used extensively within the 'Building Schools for the Future' Programme. With fewer parties negotiating contractual terms, the overhead and administration costs incurred would be minimised. There is scope for a coordinating role (either in terms of 'information, advice and guidance' or an account management type role to be taken by a single/lead organisation (eg a lead institution or delivered from within London Higher).

Security, catering and cleaning have been strongly identified as generic services that are typically considered to have no impact upon organisational reputation or brand. Institutions should therefore be willing to share a pool of resources in this service provision. A number have outsourced contracts in place across these areas, established to pass risk outside of their institution and ensure a good level of service. Cost did not appear to be the main driver in outsourcing decisions in these areas.

Health and safety was identified as an area of strong interest for potential collaboration, although the level of anticipated savings would be minimal.

[20] Other areas (academic estate, teaching & learning, research, student accommodation and library services) are not covered as our research suggests there are limited opportunities or that efficiency gains have already been made.

Box 6.1: Facilities management University of London

The University of London provides access to a shared facilities management service for all member institutions. This includes catering, cleaning, conference facilities, front of house reception, office moves, post, print, security, car parking, and waste removal and recycling. The current UOL subscription model is based upon institution size and income although this is moving towards usage.

Potential benefits

As facilities management constitutes a large area of expenditure, the potential benefits are significant. Our research indicates that initial savings against legacy costs could be in the region of 20% and that year on year further savings can be contractually secured with providers.

With a larger scale of operations and access to a larger pool of staff, response times for dealing with incidents could be reduced. An additional benefit perceived by institutions is the avoidance of costs (including recruitment and training) associated with high levels of staff turnover in this area of activity.

Risks and implementation issues

Sharing facilities management services either through using existing resources of the partnering institutions or through a joint contract with a third party provider would necessitate new contractual arrangements. Impacts and regulations relating to staff would need to be addressed, including TUPE where relevant.

There could be reluctance amongst some institutions if the arrangements do not provide for a continuous onsite capability - suggesting the need for clearly defined service level agreements, response times etc.

6.2 ICT

Our research indicates that ICT could be an area for further collaboration amongst HEIs. Where institutions are operating the same systems/software, coming together to jointly purchase them would provide access at lower cost. Instead of each institution contracting separately for systems/software, collaboration would provide access to scale economies and bulk buying discounts. This is especially so where the institutions are operating the same systems/software for particular functions but each has their own hardware and hosting arrangements. Collaboration in this case could minimise the demand on IT staff resources.

Organisations often outsource ICT support and maintenance, although the results of the survey and the stakeholder interviews indicate that this is not the case for London Higher members. However, this is an activity that is not specific to HEIs and it is not linked to brand. Institutions would therefore not lose reputation or status as a result of outsourcing.

A recent study by Gartner[21] indicated that 53% of European organisations outsource essential IT services, with between 50-75% of their IT budget being spent on external IT services. Smaller companies with lower IT budgets are making the move to outsourcing more than in previous years. For those with an IT budget of less than €1 million, 14.7 percent are considering outsourcing, compared to only 6.1 percent in the same bracket in 2009.

Outsourcing offers a cheaper alternative than in-house IT support, which is pivotal for many companies who have been forced to cut their IT budgets amidst lower profits.

[21] Techeye.net, September 7th 2010

Box 6.2: ICT disaster recovery

London Metropolitan (LM) University uses the University of London's ICT back up / disaster recovery shared service. This is part of the service offered by the London Universities Computing Consortium. Benefits provided include cost savings, as it would be more expensive for LM to set up and manage their own back up service.

Potential benefits

The cost of ICT functions across London Higher members is estimated at £226 million. Benefits would be seen in reduced need for separate systems and services and the functions that support them (IT maintenance, upgrades etc). Financial benefits would accrue from reduced staff costs associated with back up/cover staff.

With the larger scale of operations, the level of responsiveness (speed, quality) could be higher, potentially secured through higher Service Level Agreements than would be the case for smaller customers (ie individual HEIs).

Risks and implementation issues

Existing contracts with different timescales, terms and conditions, etc would mean the need for a phased and medium term approach to collaboration in this area. Where institutions are already contracting separately with the same providers, there could be scope for renegotiation to provide savings more quickly.

Institutions may be reluctant to change arrangements when their existing hardware is not due for renewal, particularly where equipment has been purchased outright rather than leased.

6.3 Finance

Finance is one of the fastest growing areas in outsourcing. Very large organisations (e.g. BP) have led the way in areas where transactional activity is greatest, typically payroll (which is discussed in further detail below), accounts receivable and accounts payable.

The outsourcing of these activities would allow institutions access to more up-to-date systems and processes than those they currently have in place.

Two institutions indicated that they either have implemented or are in the process of implementing finance shared services, whilst 12% indicated that they are interested in implementing a shared finance provision over the next 2-3 years.

There has been some interest expressed in the sharing of transaction processing, although this came through most strongly in the survey, with less interest expressed through the stakeholder interviews. It is likely that institutions would prefer to have access to shared resources in respect of transaction processing rather than financial analysis and reporting, which typically remains an 'in-house' service. The example of the Guildhall School of Music and the Barbican (Box 6.3) demonstrates the potential for shared services within this area and shows the real benefits in respect of improved quality and access to larger teams.

Box 6.3: The Guildhall School of Music

The Guildhall School of Music (GSM) shares back office services (finance, HR and IT support) with the Barbican, and is moving increasingly towards the sharing of space. In existence since 2005, this shared service arrangement was established to reduce the reliance of the GSM on the City of London Corporation funding, and also to allow GSM to gain access to increased expertise in the areas of finance and HR. The shared service arrangement was initially based upon the sharing of resources within non-core areas, and has now been extended to include additional areas such as the sharing of space within performance areas.

There is an opportunity to share some areas of finance functions within areas that are not considered to be core to institutional activity, which we have described as 'non competitive'. Within the broader finance functions, areas for which there is greater scope for collaboration and sharing services include payroll and activities relating to transaction processing.

A number of the stakeholders interviewed indicated that payroll processing was a viable option in respect of a shared service or outsourcing activity as this is a non HEI specific activity that is not linked to brand or reputation. Payroll processing can include the management of starters and leavers, statutory payments, pension contributions and court order payments. It is linked to the production of accurate payroll reports for accounting. Typically a payroll processing company will handle the forms and figures and remind the organisation about key filing deadlines (e.g. tax).

Potential benefits

The costs of finance functions across London Higher members is estimated at £101 million. Recent research by CIPFA has indicated the range of potential benefits from sharing finance functions as:

- Lower operating costs
- Improvements in service quality (to finance staff and business users)
- Access to staff with specialist skills
- State of the art financial information systems
- Easier recruitment and retention of skilled/high calibre finance staff
- Improved investment and innovation opportunities
- Adoption of world-class/best practice approaches
- Ongoing performance improvement

Risks and implementation issues

To date there has been very little sharing of finance functions across London's HEIs and our survey indicates that only 12% of respondents are 'very interested' in doing so in the next 2-3 years. Findings from our interviews suggest that while there is reluctance to share finance functions generally, in specific areas there is interest.

Confidence in the robustness of proposed systems and ensuring confidentiality would be key areas to address in order to generate interest.

Collaboration in this area would need particularly strong leadership and support from heads of institutions. Specifically, care would have to be taken related to the handling of confidential data. Due to the nature of activities, rigorous quality assurance processes would need to be established

6.4 Marketing

Our research indicated that overall there is relatively little appetite for collaborating in marketing activities. The existing Study London project coordinates and promotes the overall London offer and there is some further existing joint international promotion undertaken by a small group of University of London institutions.

The marketing function is relatively expensive for the institutions surveyed and an area in which they are aware that they need to cut costs. Whilst there was acknowledgement that this is an area to target in respect of cost reduction, there was also acknowledgement that this is a hugely competitive area, with institutions bidding against each other in order to recruit suitable candidates.

Box 6.4: Marketing

There are a limited number of examples of HEIs sharing marketing due to the essentially competitive nature of the relationship between institutions. Through our research, we found an example of four larger London universities sharing marketing functions, including Kings College London, UCL, LSE and Imperial College London.

In a consultation with Queen Mary, University of London, shared services in the areas of marketing and student recruitment were considered feasible in respect of international students, however, they highlighted that the competition element is far greater in respect of domestic students.

Stakeholder interviews indicated that media and press relations could be shared, thereby forming a group of people with real expertise and access to a strong network of contacts. This is likely to be an area that is more suitable as a medium to long-term transition activity, so that institutions can first build mutual trust and respect on the basis of core activities and relationships.

Potential benefits

The marketing functions across London Higher members cost an estimated £117 million per year. As stated above, sharing media and press relation functions could reduce costs. In addition, the production cost of marketing materials could be reduced through joint activities. However, the differentiation that would necessarily remain across institutions' materials would limit this.

Risks and implementation issues

Apart from the media and PR aspect, a lack of interest suggests implementation is not feasible within the current structure of institutions competing for students, staff and funding.

6.5 HR and training

The views expressed through the attitudes survey and the stakeholder interviews have been mixed regarding the sharing of HR expertise and resources. In particular, larger institutions indicated that a dedicated HR professional is preferred in order for them to align HR activities to the overall strategy of the organisation. A dedicated professional would also have more detailed knowledge of the institution and its employees. In contrast, smaller institutions expressed a desire to share resources in order to gain access to a larger pool of HR professionals.

This is an indication of the different approaches required between institutions of different sizes, and the fact that a revised approach in respect of resource sharing is not a 'one size fits all' approach.

In terms of training, it would be feasible to share resource in providing a range of standard courses (for example on standard software packages, introduction to common services and systems).

Box 6.5: The Conservatoire of Dance and Drama

The Conservatoire of Dance and Drama (CDD) formed in 2001 to provide funding security and HEI status to its affiliate members. Each affiliate gets HEFCE funding passed on through the CDD (minus agreed CDD funding) but remains essentially independent. Each has charity status. Shared personnel include a Human Resources Manager, who is used as a shared resource and paid for out of the central CDD budget.

Potential benefits

The cost of the HR function across London Higher members is estimated at £78 million. Access to specialist staff could be a key benefit of collaboration, especially for smaller institutions where scale does not justify incurring the costs of in-house provision.

Pooling training provision could enable access to a wider range of courses and programmes than a single institution could provide on a cost effective basis. Similarly, the larger scale involved would justify provision of specialist training which would not be feasible within a single institution.

Risks and implementation issues

Our work identified strong opposition to any collaboration that affects recruitment due to its competitive nature. TUPE requirements would need to be considered where HR and training staff from individual institutions were to be transferred into a shared service offering.

6.6 Audit and compliance

As there are common processes and procedures in the areas of audit and compliance, there is scope for collaboration across institutions to achieve economies of scale and deliver the functions at a lower cost base than could be achieved separately.

A number of institutions indicated that they have experienced issues with internal audit in recent years. Typically external organisations had been employed to complete internal audits, and the services provided had been poor as a result of a lack of detailed knowledge by those performing the work.

Subsequently a number of institutions have moved their internal audit to the Kingston City Group (KCG), and have indicated that they are very comfortable with the service and level of expertise provided.

There are a significant number of organisations providing internal audit services. Whilst those who use the KCG service do not report a significant reduction in cost, the quality of service is said to be higher, and therefore provides a high level of satisfaction.

Box 6.6: Kingston Group Audit and UNIAC

The Kingston City Group was formed in 2005 by 4 London based HEIs, and now provides services to 11 institutions. The organisation is an in-house shared services consortium, formed as an Unincorporated Association.

All staff are jointly employed by the members and services are delivered on a shared cost and not for profit basis. Kingston University is currently the host member of the KCG Consortium, providing all administrative support for the provision of services across 11 member institutions. The KCG Consortium has an established Board with representation from all of the member institutions, each of which has equal voting rights. The Board governs the strategic direction of the consortium and provides oversight of the consortium's business planning arrangements, management processes and procedures, financial management, and appointment of the consortium's executive Directors.

UNIAC is another consortium that provides internal audit and related services to HEIs in the North of England. UNIAC is an unincorporated association owned jointly and separately by each of its constituent member universities. Each institution underwrites the not for profit budget with surpluses protected under a deed of covenant back to the member institutions.

Potential benefits

The cost of the audit and compliance functions across London Higher members is estimated at £14 million. Benefits of sharing services in this area would be expected in terms of enabling delivery of the audit and compliance activities at a lower cost than could be achieved through in house provision. In so far as the shared service arrangements could attract more experienced or more highly qualified staff to undertake the functions, the quality of service might also be higher than the in-house solution.

Risks and implementation issues

Our survey indicated that across the different functions, audit and compliance has the highest level of shared services (or outsourced arrangements) currently in place (40% of respondents). This could suggest that those who are interested in collaboration in this area already have mechanisms in place to enable this.

Our interviews indicated some instances whereby internal audits undertaken by external organisations were deemed to be poor due to a lack of detailed knowledge.

6.7 Legal services

As a specialist function, institutions may not need, or be able to justify, a dedicated in-house legal services capability. Joining a shared service arrangement for legal services would allow access to legal advisory services as and when they were required at a lower rate than would be available if each institution was contracting directly.

As with internal audit, a number of institutions have expressed interest in the potential sharing of professional services, with particular focus on legal services. The legal framework which has recently been established by the London Universities Purchasing Consortium (LUPC) will provide access to specialist legal resources at lower rates than HEIs have access to currently.

Potential benefits

By choosing to collaborate and share legal advisory services there is an opportunity to gain access to more specialised resource and expertise from a larger pool of professional staff, to secure lower rates than would be feasible for an individual institution and to reduce staff costs by not having dedicated in house provision. LUPC have indicated that they have negotiated rates that are c. 20% cheaper than those available externally.

Risks and implementation issues
Service level agreements would need to be agreed and charging mechanisms determined (e.g. subscription based model, pay per use etc).

6.8 Procurement

Joint procurement can provide institutions with access to goods and services at lower prices than they may be able to secure separately. There is a range of mechanisms, including negotiating bulk purchase discounts on a case-by-case basis and the use of frameworks such as those available through purchasing consortia.

Procurement is an area where specialist knowledge is required. A number of institutions are members of LUPC, which provides access for members to a number of specialist frameworks with suitable contractors appointed at rates that are significantly lower than those available outside the framework.

Box 6.7: The London Universities Purchasing Consortium

Information available from London Universities Purchasing Consortium (LUPC) indicates that for the year 2009-10, the agreements that they have in place with third party suppliers will deliver savings of £30 million from a total spend of £170 million: a saving of 18%. Savings are available across contracts which have been put in place in the areas of: energy, estates, ICT, insurance, laboratory, library, office, professional services and travel.

LUPC are one of a number of purchasing consortia in existence. Others include the Higher Education Purchasing Consortium, Wales (HEPCW), the Southern Universities Purchasing Consortium (SUPC), the North Eastern Universities Purchasing Consortium (NEUPC), and the North Western Universities Purchasing Consortium (*NWUPC*). In addition, Buying Solutions offers access to discounted rates for those procuring services through one of its frameworks.

Potential benefits
The cost of procurement across London Higher members is estimated at £7 million. The benefits going forward could be seen in increasing usage of the LUPC, and/or an expansion of the products and services provided through its frameworks.

Risks and implementation issues
There are already a number of initiatives to help HEIs secure value for money from their procurement including the London Universities Purchasing Consortium and the Southern Universities Purchasing Consortium

For the larger institutions, the significant scale of their purchasing power on a stand-alone basis might negate the savings secured by purchasing consortia. Larger institutions may seek to contract directly and agree their own terms, which, by removing the intermediary costs, could achieve savings greater than offered by the consortia. This 'opting out' by larger institutions could limit the scale of savings that the consortia can ultimately deliver to participants.

6.9 Research management and support

There is a significant amount of cost and administration associated with research management. There is scope to centralise some of the more administrative functions such as those associated with grant applications, management and reporting.

However, research is an area of competition for institutions. The stakeholder interviews indicated that the opportunities for sharing services are limited, with the exception of research administration. The administration and monitoring of research grant applications is a hugely intensive, but standardised process, and a number of institutions indicated that a common pool of research administrators would be a good area in which to improve the quality of the service offering through sharing knowledge and expertise.

Box 6.8: The London International Development Centre

The University of London provides access for member institutions to the shared research services and facilities. This includes the School of Advanced Study, which has 10 member research institutions and facilitates research across a number of sectors.

The London International Development Centre is another recent collaboration between the Bloomsbury Consortium and the UOL to improve international development research, for which each of the six members from the Bloomsbury Consortium provides input in respect of their specific area of expertise.

Potential benefits
The cost of the research management and support function across London Higher members is estimated at £31 million. Undertaking these activities centrally, for example within a dedicated unit providing the services across participating institutions, the costs to individual institutions could be reduced through economies of scale and higher levels of efficiency and productivity. Our stakeholder interviews indicated that the quality of the service offering could be improved through the sharing of knowledge and expertise.

Risks and implementation issues
The offer in relation to research management and support would need to be clearly articulated and effectively communicated. Since research is an area within which institutions compete for funds, it would need to be clear that the proposition related to the administrative aspects of research. Only a small proportion (8%) of survey respondents indicated they were 'very interested' in implementing shared services in this area over the next 2-3 years.

6.10 Student support and experience

Sharing services associated with student support and experience could provide access to a broader range of services for students, as has been seen in a recent initiative to share access to University sports facilities within London. Sharing would reduce the need for individual institutions to provide specialist support, which may not justify a full time member of staff (again, particularly so for smaller institutions.) Around 20% of respondents to our survey indicated they were 'very interested' in implementing a shared service in this area over the next 2-3 years.

There are two main services:

- Careers Services: student careers services are generic and are not directly associated with the brand or reputation of an institution. A number of institutions have indicated that they have their careers services provided by a true example of a shared service that operates within the sector, The Careers Group. This is a shared service provided by the University of London. Currently, the organisation provides careers services to 17 institutions, for which they pay a fee based upon the number of students using their services and the types of services provided.
- Counselling: student counselling is a non core activity which is nonetheless important in respect of the services provided by an institution to its students. This is not associated with reputation or brand and is therefore an area in which institutions have expressed an appetite for a pool of counsellors to whom their institutions could have access.

Box 6.9: The London Careers Group

The London Careers Group provides products and services designed to help individuals achieve and maintain job satisfaction throughout their working lives. Staff deliver an institutionally based service to undergraduates, postgraduates, contract researchers and staff.

Activities include staff training and development, careers education information and guidance services, careers publications, the creation and maintenance of on-line services including vacancy advertising, notification services and e-guidance, the organisation of employer presentations and familiarisation courses on occupational areas, the administration of GradClub - a service for The Careers Group alumni - and the collection and collation of research data on usage, quality and the destinations of graduates.

Potential benefits

The cost of student support and experience across London Higher members is estimated at £171 million. The primary area of benefit would be mainly for students as they would be able to access a wider, potentially more specialist, range of services and activities than would be feasible or economically justified at any single institution.

Costs would be reduced for the institution as the demand for specialist staff is reduced. There may be scope to extend or enhance reciprocal arrangements (ie students provided access to services/activities at institutions other than their own).

Risks and implementation issues

As with the other potential shared service areas, this would require the support of the institutions. Unlike some of the other categories detailed, student support and experience may be seen as a significant differentiator amongst institutions, potentially limiting the extent to which collaboration would be feasible in some of these areas.

6.11 Other

There is potentially scope for a wider range of activities to be shared across London's HEIs. Historically within London, the University of London undertook a larger range of shared services than it does today. Shared 'front office' activities, including teaching specialist courses, have in the past enabled students from one of the London institutions to access courses at other institutions on a larger scale than at present - increasing the overall London HE proposition by widening choice for prospective and current students.

Potential benefits

Strengthening the overall London HE offer would increase its attractiveness to students. As prospective students become more internationally mobile and fluent in their choice of study destination, greater collaboration, by improving the student offer, can increase the appeal of the overall London HE offer. This would enhance the strength of the sector in the region and provide a range of wider economic benefits such as increasing the supply of higher level and specialist skills.

Risks and implementation issues

While shared services have a mixed history within the sector, pressure on funding could lead to increasing appetite for collaboration as institutions seek to reduce costs. By contrast, changes to the funding regime could lead to greater levels of competition within the sector, constraining the extent to which institutions will be interested in sharing.

6.12 Summary and implications

Interest and opportunity vary according to the particular attitudes and current spend across London HEIs on each service area. There are examples of existing shared services in place across these categories, including some prevalent examples such as the Kingston City Group, for which more detailed case studies can be found in Appendix 3.

Our work has identified a range of drivers and characteristics of shared services within the sector. Appetite and interest in shared services can be broadly grouped into the following three categories:

- People (e.g. not all institutions can efficiently employ specialist provision)
- Processes (there is a scale economy effect)
- Assets/technology (premises, specialist equipment, etc. It is hard to maximise utilisation on a stand alone basis)

Motivations will also include consideration of increasing efficiency in provision of existing services and in providing a new service outside existing scope, capacity or capability.

Across these categories, shared service arrangements are more likely and beneficial where there is a requirement for

- specialist skills/functions/provision
- demand/supply - capacity mismatch
- regulatory requirements
- niche resources
- quality

In undertaking this work, we have developed an understanding of the drivers for shared services for the participating institutions. This has provided an indication of the scale of benefit and the rationale for the approach across a range of categories. The next section draws together the work and sets out the implications and strategy going forward.

Figure 13: Summary of shared service opportunities by type

Service areas	Description of opportunity	Potential benefits	Risks and implementation issues
Facilities management	Significant area of expenditure and 28% of London Higher members very interested. There is the potential for joint outsourcing arrangements and a coordinating role opportunity.	Potential savings c £79m - £118m. Can reduce overheads, administration costs and response time. Passes on risk and reduces staff turnover, providing savings on recruitment and training.	Possible difficulties resulting from new contractual arrangements and maintenance of onsite capability levels.
ICT	24% of London Higher members reported interest. There is scope for joint purchasing of ICT systems/services. This area is also suitable for outsourcing - not linked to brand or reputation.	Potential to reduce staff costs and software costs through bulk buying. Also a reduced need for separate systems, services and support functions and a higher speed and quality of response.	Existing contract timescales may be barriers, in addition to resistance to change where equipment has been purchased and/or is already up to date.
Finance	Opportunities greater as this is a non-competitive service area. Savings through outsourcing where transactional activity is greatest, e.g. payroll. Also interest in the sharing of transaction processing.	Potential savings of c. £20m - £30m. Includes lower operating costs and better staff retention, improved service quality, access to specialist staff and modern systems, investment opportunities.	Less appetite, though this may be higher in certain service areas. Requires strong leadership to generate interest and confidence. Rigorous quality assurance and careful handling of data are also requirements.
Marketing	An area of higher spend, could help cut costs. Possible sharing of media and press relations though may be a long-term agenda. Little appetite for collaboration as this is a differentiator.	Potential savings of c £23m - £35m. Access experienced staff with strong network of contacts. Reduced costs through joint procurement but this is limited by differentiation across institutions.	Lack of interest in implementing shared services in this area will be a key barrier to implementation.
HR and training	Opportunity focused on smaller institutions. Potential to provide shared training courses. Mixed appetite according to service area.	Potential savings of c. £16m - £23m. A dedicated HR professional offers greater expertise. Pooling training gives access to a wider range of courses and justifies provision of specialist training.	Opposition in area of recruitment due to competitive nature of the service. Consideration of TUPE requirements where staff were to be transferred into a shared service offering.
Audit and compliance	Very high levels of interest expressed (38%). Common process and procedures leave scope for collaboration and economies of scale.	Benefits include a lowering of costs and an improved quality of service and personnel.	Already has the highest levels of collaboration in place (40% of respondents), suggests unfulfilled demand may be lower.
Legal Services	Interest expressed in this area. Would allow access to specialist service functions at a lower cost.	Gain access to specialist resource and larger pool of staff and at a lower rate.	Need to agree service level agreements and payment mechanisms.
Procurement	28% indicated interest. Opportunities for joint procurement to reduce costs. Also scope to expand the use of existing consortia and services.	Potential to reduce costs e.g. bulk purchase discounts and access to specialist advisors at negotiated rates through purchasing consortia.	Larger institutions may opt out where purchasing power already allows for significant savings and who wish to avoid intermediary costs.
Research Management and Support	High costs create scope for savings. Opportunity to centralise administrative functions within this service area e.g. monitoring of grant applications.	Potential savings of c. £6m - £9m. Centralising some of this activity could reduce costs through economies of scale and improve access expertise.	As this is an area of competition, it would be important to clarify the approach i.e. focus on administrative aspects. Currently low appetite (8%).
Student Support and Experience	Provides broader range of services to students. Smaller institutions may gain access to a dedicated member of staff e.g. careers service and counselling.	Potential savings of c. £34m - £51m. Key benefits achieved for students, achieving wider range of services and a reduced cost for institutions.	This is a highly competitive service area in general which may potentially limit collaboration in this area.
Other	Opportunity for shared front office services including teaching specialist courses.	Strengthening the overall London HE offer generating wider economic benefits	Greater levels of competition due to pressure on funding could make this a less attractive option.

7 Summary and implications

7.1 Summary

Our work has identified the significant savings that can be made through shared service arrangements. Where institutions have passed the risk of service delivery to a third party, they have done so primarily via outsourcing, rather than through a shared service arrangement.

Our research and consultations have found that the drivers for shared services amongst institutions in the sector is frequently related to improving service and coverage rather than the explicit desire to deliver cost savings. This could change as the new tuition regime is implemented and the scale of the new competitive environment become clear and as an understanding of the potential for shared services as a mechanism to reduce cost while continuing to deliver core areas of activity in-house becomes clear.

The service areas identified with the highest levels of interest expressed and the highest potential savings identified are all back office services, with the exception of student support and experience, where high levels of savings could potentially be made.

- The highest levels of interest expressed by survey respondents were in back office areas and, typically, those that are less significant in terms of competition between institutions. These include procurement, facilities management, health and safety (each 28%) and ICT (24%).
- The highest levels of interest expressed in terms of short-term implementation were health and safety (32%), facilities management (20%), and marketing (20%). Again, these all represent back office services.
- The areas of the highest potential cost savings are facilities management (£79 million - £118 million), ICT (£45 million - £68 million) and student support and experience (estimated £34 million - £51 million).

7.2 A way forward

This research has developed a greater understanding of the London HE perspective on the scope for shared services and the key factors needed to progress the agenda. Based on the findings, key themes and conclusions of the work, we can suggest a number of ways to further develop the shared services agenda amongst London's HEIs.

At this stage, there is an opportunity to broaden understanding and facilitate discussions amongst institutions keen to assess in more detail the rational for sharing particular functions. This is likely to encompass a suite of activities to promote and facilitate the delivery of shared services within the sector.

Based on the research and analysis undertaken, and given the low level of uptake of shared services to date, we suggest that it will be important to start small and grow over time, with more institutions participating as the benefits are demonstrated and begin to be realised.

Early activities proposed include:

- Provision of information, advice and guidance for HEIs interested in shared services, and the sharing of best practice across the member base.
- Identification of a group of specialist advisers to support interested institutions in developing shared service propositions, for example in relation to legal considerations, financial issues and human resources considerations. The advisers would gain access to and develop their understanding of the opportunity within the HE sector, while the institutions would benefit from the expertise of the specialist advisers. Sessions would be convened and facilitated for these parties to discuss and develop potential opportunities with a view to the establishment of formal shared service arrangements. These practical sessions would provide a platform for institutions, advisors and (potentially) providers to transfer the discussions into tangible propositions, which could then be developed into formal business plans.
- Commissioning research and feasibility studies on specific opportunities to increase understanding and to develop estimates of costs, benefits and payback times.
- Provision and analysis of benchmarking data on existing shared service arrangements, comparative efficiency indicators of HEIs and potential savings that could be delivered through increased collaboration.

7.3 Risk considerations

There will be a range of risks that need to be understood, and for which mitigation strategies need to be developed, before progressing specific shared service initiatives. A full risk register should be prepared in relation to specific propositions as they progress.

We provide an indication below of some general risk areas that will need to be addressed to support successful delivery of shared services more generally:

- Lack of support from senior staff members. Without the support and commitment of senior staff, it will be difficult to secure the necessary resources to implement the preferred solution and garner support of other staff for the proposals. The case for change must therefore be robust, with clear timescales, to maximise support.
- Uncertainty associated with changing established ways of working and delivery structures could damage staff morale and increase staff turnover. Retaining key members of staff and expertise is critical to ensuring the transition to new arrangements. Keeping staff informed about what is happening (in terms of the process) and why (the benefits to be delivered) can help mitigate against this.
- Poor understanding of systems and technology requirements to fulfil the different user requirements. Addressing this requires that users and staff are involved from an early stage in specifying functionality and are involved in establishing system specification and requirements, quality criteria and service level agreements. This can also help to increase support and commitment to new delivery arrangements.
- Benefits realisation. The business case for specific shared services needs to be based on robust assessments of the costs and benefits that can be delivered within specified timeframes, including the costs of change and transition to new arrangements. Ensuring that those involved in the change process have a strong focus on benefits realisation can assist in this. To generate momentum, it is suggested that implementation starts with smaller projects that are well understood and offer early tangible benefits with relatively low complexity. There are risks that the services incorporated are too narrow to deliver worthwhile benefits against the costs of change incurred and that the degree of change becomes too complex, costly and time consuming.

7.4 Conclusion

This work has indicated a number of areas that can be taken forward to progress the shared services agenda across London Higher member institutions and support the delivery of greater efficiency. This includes resources within London Higher to help research and identify opportunities to implement shared services and, where appropriate, lead on the implementation to provide benefits to participating institutions and generate critical mass required to develop commercially success ventures.

Appendix 1: Interviewees

Individual	Area of Responsibility	Institution
Malcolm Gillies	Vice Chancellor	London Metropolitan University
Barry Ife	Principal	Guildhall School of Music and Drama
John Tuck	Director of IT Services	Royal Holloway, University of London
Ghazwa Alwani-Starr (and Philip Cowling)	Director of Property and Facilities Management	Roehampton University
Paul Webley	Director and Principal	SOAS
Tony Doherty	Director of Research and Enterprise	
Ian Ashman	Principal	Hackney College
Sir Graeme Davies	Vice Chancellor	University of London
Andrew Walker	Vice Principal, Academic Management	Rose Bruford College of Theatre and Performance
Barbara Stephens	Regional Director	Open University
Dean Curtis	Chief Administrative Officer	Queen Mary
Simon Gaskell	Principal	Queen Mary
Rick Trainor	Principal	Kings College
David Johnson	Director of Finance and Operations	Conservatoire for Dance and Drama
Richard Robinson	Relationship Director	Barclays Corporate
Neil Latham	Pro Vice Chancellor, Corporate Affairs	Kingston City Group
Geoffrey Crossick	Vice Chancellor	University of London
Nick Gibson		Agresso
John Robinson	Director of Finance	Brunel University
Andy Davies	Director	London Universities Purchasing Consortium
Ray Wilkinson		University of East London
Carole Mainstone	University Secretary and Clerk to the Court	Westminster
Jeanne Key		Initial Teacher Education
Neil Garrod	Neil Garrod (Deputy Vice-Chancellor, Resources	University of Greenwich
Stephen Bartle	Shared Services Director	Learning and Skills Network (LSN), Reading College
Anne-Marie Martin	Director	The Careers Group, University of London

Appendix 2: Case Studies

To supplement the findings of the interviews, survey and financial analysis, a small number of examples were selected as case studies to provide more detail on the nature of shared service arrangements in place across the London HEI landscape.

Case study 1: The Careers Group

The Careers Group, established in 1909, is an organisation which is operated by the University of London. It provides undergraduate and graduate focused careers education, information, advice and guidance through engagement with individuals in a career management process that empowers them to discover their range of options and make appropriate choices in developing their careers.

The Careers Group does not place individuals in particular roles, but aims instead to equip them with the skills and insights to take control of their career direction. Each member service applies this process through different activities, determined by the needs of their college and client group.

Approach

The Careers Group provides a careers service for current students at all colleges that subscribe to The Careers Group. Most services are free to these students. Graduates of these colleges are invited to pay a small fee to join GradClub, which offers free or heavily discounted use of services for two years after leaving university. Graduates of any other institution are able to use C2 -a fee paying service for any graduate at any stage of their career.

The Careers Group also provides consultancy services to organisations to assist them in attracting, selecting and developing graduate talent.

Location

The Careers Group operates from offices in Central London, and has careers advisors based at member institutions across London.

Scope

The Group provides services to 17 institutions across London, and employs 73 staff - 37 careers advisors and 36 commercial, information and infrastructure staff. A further 25 employees are directly employed by the institutions to whom they provide a service. These employees are supplemented by a network of freelance resources.

Careers professionals have the look and feel of the institution within which they are placed - students would be unaware that they are not employed by their institution.

The Group is the largest higher education careers service in the UK. Membership includes the larger colleges of the University of London, Goldsmiths, Kings College, Queen Mary, Royal Holloway, SOAS and UCL.

The Group also provides services to non HEIs - e.g. the British Medical Institution.

Case study 2: The M25 Consortium of Academic Libraries

The M25 Consortium of Academic Libraries was established in 1993 and has 58 member institutions, representing more than 160 libraries. An estimated 1 million people use the consortium libraries, the majority of whom are in Higher Education.

The Consortium works to improve library and information services across the East and South East of England with 3 specific areas of focus:

- Services to learners and researchers in order to widen access to library services
- Mutual support of member libraries in order to improve the services that they provide to their members
- Collaboration and influence, to represent the interests of academic and research libraries

Approach

A collaborative organisation made up of member institutions ranging from large university libraries to other institutions outside of the HE sector, such as the British Museum. The Consortium libraries spend £44 million per annum on information resources, including printed and electronic books and journals as well as other paper, video and broadcasting resources, making 30 million volumes available to members.

Location

M25 area and the East and Southeast Regional Development Areas

Lessons learned

The lessons learned in respect of the formation of this shared service are as follows:

- Appropriate size of the group - as broad a scope as possible will ensure that maximum benefits can be delivered to members
- Participation - success of the shared service depends upon the participation and cooperation of members
- Management - the effective delivery of the shared resources requires a full time administration team
- Governance - the structure must be sufficiently broad to ensure effect engagement with members.

Case study 3: Reading College

Reading College was established in August 2010 as a joint venture between the Learning and Skills Network (LSN) and Oxford and Cherwell Valley College (OCVC). It was created when Thames Valley University discontinued provision of its FE services in Reading.

The college is a not-for-profit organisation active in improving education and training through support programmes, research, consultancy and training. Reading College offers a wide choice of full-time, part time and work-based courses for people in Reading and the surrounding areas including:

- Vocational courses relating to most areas of work
- A-levels, GCSEs and Access courses

- Apprenticeships and other work-based learning courses
- Professional courses and courses for adults wanting to upskill for work or learn for leisure
- Courses to improve English language, literacy and numeracy
- Foundation level courses

Approach
The educational services provided by Reading College are provided by a joint venture structure that is owned 51% by LSN and 49% by OCVC. Both institutions have representation on the board of Reading College on a 50/50 basis.

The LSN provides back office services to Reading College in the form of HR,, marketing, IT and estates. OCVC provides finance and MIS services to Reading College.

Teaching staff are employed by OCVC in order that they can be members of the teaching pension scheme, which they would not otherwise be able to access.

Scope
Reading College is the only FE institution to be provided with services by the newly formed structure at present.

In future the intention is that this will be rolled out to cover up to 10 FE colleges within the local area. The main driver of the extension of this service is the ability of the new structure to offer services at rates that are 15-20% cheaper than the rates paid by the colleges because of the economies of scale involved. For FE colleges this is considered particularly attractive as most FE colleges operate at a deficit.

Lessons learned
The challenges faced by Reading College in extending the provision of this service are as follows:

- Getting FE college leaders to accept a loss of control as a result of moving to the new structure. In future, a shared services association will be established which will allow each of the FE colleges representation on a leadership group that will determine the future direction of the shared service organisation
- Persuading FE colleges to accept standardisation of processes and services
- VAT
- Procurement regulations
- Pension schemes - teaching staff often have access to good pension schemes which may not be available through non education related organisations
- Redundancy and other set up costs

Cost and benefits
These include:

- Access to a pool of specialist resources
- Discounted back office support (a projected saving of 15-20%)
- Improved / easier access to information and knowledge sharing

Case study 4: Guildhall School of Music

The Guildhall School of Music was founded in 1880 and is operated by the City of London Corporation. It operates as the only major European conservatoire that is both a music school and a drama school, and is pre-eminent in technical theatre, professional development and music therapy.

Situated next door to the Barbican, GSM began to share back office facilities with the Barbican in 2006, in order to address a funding shortfall..

Approach

GSM identified its generic activities and overheads and categorised them separately from its specific activities, in order to identify the activities that it would be comfortable sharing with the Barbican. Resources were then organised into four directorates, each of which are headed up by a Director:

- Music
- Drama
- Student and Corporate Services
- Corporate operations (under the Chief Operating Officer)

Scope

The resources are shared between the 2 institutions. This has given the GSM access to a far larger pool of resources than they would otherwise have had. For example, they previously employed 2 people in the HR department. They now have access to a team of 12 HR specialists with a far greater level of expertise and understanding.

The pool of resources is available to both institutions. However, a number are focused specifically on either GSM or Barbican in order to maintain an appropriate level of knowledge and ensure that there are some resources available at all times. Each institution is able to draw on the wider pool at times when additional resource is required.

Shared resources include finance, HR, IT support, facilities management, internal audit, external audit, legal services and company secretarial resources.

The possibility of a shared library service is being reviewed.

Marketing and accountability services are currently not shared. No front-end services are shared, although the institutions are moving towards sharing of educational and teaching space.

Lessons learned

The following lessons have been learned by GSM when sharing services with the Barbican:

- Services can be shared effectively if there is no direct competition or impact on the brand - so identifying non-core from core services is very important
- It is far easier to share services with a non HEI than with a HEI
- It is easier to start with areas which are non contentious and then build up an understanding of other areas that can be shared, as opposed to going for a "big bang" approach

Governance
GSM is operated by the City of London Corporation - this is true also for the Barbican - the Principal of GSM and the Managing and Artistic Director of Barbican both report to the Town Clerk of the City of London Corporation.

They have a shared Chief Operating Officer and a shared HR manager. Both of these shared senior resources report jointly to the GSM, the Barbican and the Town Clerk of the City of London Corporation.

Case study 5: Hackney Community College

Hackney Community College ("HCC") is active in a number of collaborations/shared service type arrangements including with the local NHS PCT, a FE purchasing consortium and has outsourced facilities management arrangements to a private sector provider for over 10 years.

The College is very proactive in seeking out opportunities to make cost savings and secure better services through shared service or outsourced arrangements.

Approach
Currently, the local PCT leases space from HCC on a commercial basis as it has a surplus resulting from reduced student numbers. It was noted that the costs associated with facilities management overheads for the PCT were reduced as a result of using HCC's service company who were already on site (Sodexo).

The college makes use of the Crescent Purchasing Consortium, which operates across the FE sector. This includes a pre-tendering service and is funded by taking a percentage of expenditure through the consortium. HCC have used the consortium for purchasing legal services.

The college's facilities management services (including catering, cleaning and security) are provided by Sodexo.

HCC has been proactive in seeking out opportunities to establish shared service arrangements. Initial discussions were held with partners from across the public sector (including local authority, local health service providers and police). It was found that the potential cost savings were not sufficiently large to justify taking forward the initiatives. There were also some views expressed that it was preferable to keep shared services broadly within sectors as there would be a greater level of understanding.

These arrangements have led to further discussions between HCC and neighbouring FECs about potential shared facilities management. It was proposed that this be undertaken through a series of linked contracts rather than a single contract (with an estimated value in the region of £7 to £8 millon). This group of FECs are currently undertaking a mapping exercise to understand the back office spend across the group to increase understanding and awareness of the potential and scale of the opportunity to reduce costs.

Lessons learned / success factors
Lessons learned regarding the success of the shared service and outsourced arrangements were identified as:

- Communication is key across the different organisations, developing an understanding of different approaches/ways of working
- Thinking through how to future-proof the arrangements, such as in terms of contractual clauses

The key to the success of the Sodexo contract was identified as having a local manager on site who brings understanding of the business. This has helped in delivering a low level of staff turnover and has provided real commitment from Sodexo staff to the college.

Another factor identified as important for the success of shared service arrangements was geographical proximity of the institutions/organisations sharing services

Costs and benefits

It was indicated that the scale of saving for the outsourced facilities management arrangements (compared to legacy costs of in-house provision) was in the region of 20% (note this arrangement was initially established 10 years ago) and the 20% is on top of the VAT cost incurred. Under the terms of the contract, additional reductions of 1% annum are provided. In addition to the financial benefits, it was indicated that the college was very satisfied with the quality of service received.

The arrangement with the local NHS provides benefits to both parties. The local Primary Care Trust offers work experience and apprenticeships for college students while gaining access to and engagement with students to provide services for what can be a hard to reach group.

The Crescent Purchasing Consortium

The Crescent Purchasing Consortium (CPC) is owned and run on behalf of the Further Education Sector. The income generated from CPC collaboration will be invested into facilitating better procurement in FE institutions. Members have access to 483 professionally arranged contracts covering a wide range of goods and services. All contracts have a full audit history plus ultimately full cover for EU Legislation. The CPC now boasts 576 Further Education institutions in its membership, these being located in a number of different regions throughout England, Scotland, Wales and Northern Ireland. Membership is free of charge and open to a variety of different types of Further Education institutions[22]. The consortium also provides information and guidance documents and tools to allow member communication on relevant topics.

Case study 6: The Kingston City Group

Approach

The Kingston City Group is an in-house shared services consortium, serving the internal audit and management assurance needs of its member institutions. It combines elements of outsourced and in-house service provision. The formation of the Consortium was a reaction to concerns about the poor quality of internal audit being provided to HEIs in the region (both in-house and outsourced).

Scope

The organisation was formed in 2005 as an Unincorporated Association and has expanded steadily beyond the four founding institutions, now providing services to 11 HEIs in London and the South East. Service areas include internal audit, risk management, governance and advisory services. It is now a well-known service across the HE sector.

Members of the Consortium have also established Kingston City Group Limited, a body that could deliver services to non-members on a fully outsourced basis. However, this is currently dormant.

Lessons leant

Critical success factors for the Consortium were:

[22] For more details see: http://www.cpc.salford.ac.uk/aboutus/whoarewe.php

- attracting the necessary numbers of member institutions initially;
- getting the governance and administrative structure correct, including a representative management Board and a member institution which could support administration; and
- the establishment of a long term partnership between member institutions.

Governance
All staff are jointly employed by the members, and services are delivered on a shared cost and not for profit basis. Upon joining the Consortium, each member agrees to take a number of internal audit days each year.

Kingston University is currently the host member of the KCG Consortium, providing all administrative support for the provision of services across all member institutions. This administrative service is paid for by an annual management charge levied on the members, covering the cost to the host institution.

The KCG Consortium has an established Board with representation from all of the member institutions, each of which has equal voting rights. The Board governs the strategic direction of the Consortium and provides oversight of the Consortium's business planning arrangements, management processes and procedures, financial management, and appointment of the Consortium's executive Directors.

Cost and benefits
The KCG Consortium's turnover is now nearly £1.5 million per annum from the delivery of over 2,500 audit days for member institutions and commercial fee-based services for non-members. The Consortium provides high quality services to its members and non-member commercial fee-payers.