

## Good Practice Case Study

# Merged Services forecast £19.5 million in savings for East Lindsey and South Holland District Councils ▾



**East Midlands**  
Improvement and  
Efficiency Partnership



Customer Service desk at South Holland District Council

## Generating savings through focusing on customer needs ▾

East Lindsey and South Holland District Councils have forecast £19.5 million in savings over the next ten years with a 42% return on investment, by developing a unique Merged Services project that, so far, outlines the re-design of five identified service areas; HR, IT, Finance, Customer Services, Revenues and Benefits.

Merged Services, initiated in 2008, is a unique concept consisting of setting up service areas through a separate commercial business with a 'Systems-Thinking' approach; delivering improved customer services by focusing on customers' wants and needs.

*“Both East Lindsey and South Holland District Councils strive to ensure high levels of efficiency, generate savings and deliver fantastic return on investment. However, the underlying focus of these tangible outcomes is a spotlight on people; improved service to customers and good working relationships with staff provides a dynamic working environment; all achieved through clear objectives and open communication.”*

Mark Cozens  
Director  
Lincolnshire Improvement &  
Efficiency Partnership

## Identifying opportunities ▾

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The sharing of services across the public sector is a national initiative not just in terms of structure but also in attitudes and dynamics, to deliver excellent customer services and efficiencies. Lincolnshire has a strong background in sharing services, specifically through the Lincolnshire Shared Services Partnership in areas such as legal services and procurement, offering support across the subregion.

### Common Ground

It was identified that the east coast of Lincolnshire covering East Lindsey, South Holland and Boston District Councils have shared

characteristics; the area is relatively remote due to no motorways, it has a thriving agricultural economy and similar demographic and physical geographic features.

Sharing these commonalities, and having a county (and nation) - wide drive for shared services, it made sense to devise a strategy that combines services across the East Coast. This would deliver efficiencies, improve customer service and provide a significant return on investment, particularly important at a time when budget pressures are at the forefront of governmental issues.

## Phase 1: Implementation ▾

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Alongside the Lincolnshire Improvement and Efficiency Partnership (LIEP), East Lindsey, South Holland and Boston District Councils jointly funded Phase 1 to implement merged services. An external business consultant called Sector was contracted to evaluate where and how savings could be made across twelve services, as well as how the project would look if it were to be implemented long-term. Clearly financial benefits were the overarching objective but it was also important to create greater strength and resilience by combining resources.

The resulting report identified that there were five back office and high-volume transaction services costing a total of £14 million a year, and requiring 300 staff across the three councils, that could deliver the greatest benefits:

- Human Resources
- Information Technology
- Finance
- Customer Services
- Revenues and Benefits (the biggest service area)

Three options were put forward, to:

1. Merge in-house
2. Merge and outsource
3. Hybrid of options 1 & 2

The savings and strategic options put forward at this stage were highly attractive, so the project moved forward into Phase 2.

Key lesson:

*Always bear in mind that budgets means people:* When discussing monetary spend and savings it's imperative to consider the impact on staff. Of the £14 million that was spent on these key five service areas, 80% of it was staff resource, so the implications were very important to consider.

## Phase 2 : Driving the project forward ▾

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By the end of 2008, key decisions were made about the next steps and in February 2009 the wheels had been put in motion:

- Signed concordat between the three councils outlining what they wanted to achieve
- Joint cabinet and executive meetings with Chief Executives, Leaders, Deputy Leaders all attending
- Agreed budget with LIEP for the next phase
- Researching individual projects at other councils and taking on board their lessons
- Putting together a formal project board to assist with outlining a strategy. This included 'cherry picking' specialists to assist with strategies, communications and human resources
- In the summer of 2009 the board brought in some external 'check and challenge' support in the

areas of IT and finance to work with them

At this point another team of business consultants, Tribal, were called in to put together a second 'Business Case' for testing in-house and outsourcing models plus a hybrid of the two to assess the most beneficial. This evaluation lasted ten weeks and interestingly indicated the same savings as outlined by Sector in Phase 1, thus providing a solid basis upon which to further develop the strategy.

Although Tribal's recommendation was to outsource the project, the board, primarily due to the strength of the leadership of the project, decided to do it in-house in the form of a separate, standalone company. Also, they understood that councils have changed organically over the past few decades; if the right resources were invested from the beginning, it would be more beneficial to start from scratch and re-design services so as to deliver the greatest benefits.

Having made this decision, the key course of action was communication to raise awareness of the changes due to take place, as changing organisational culture is never easy. Activities included:

- Spending time with Council members and outlining the strategy
- Briefing sessions
- Question & Answer sessions
- Weekly updates
- Showcases from different councils across Lincolnshire, and outside the county, to demonstrate different projects previously undertaken
  - It was assessed on how they had been successful, plus any barriers and challenges/lessons they learnt that could be applied to merged services

- Offering a range of options to be considered and decided upon

This level of consistent, open and transparent communication was essential to ensure all staff were aware of plans, to get people on board from the beginning and to minimise apprehensions about change.

Key lessons:

*Leadership and commitment at director level:* Need drive from the top-down to relay belief and enthusiasm in the project.

*Continuous Communication* is imperative: Keep reiterating the information so that people have the information available.

*Create open working relationships:* Meetings were always transparent and open to anybody and for example, the councils were very honest when redundancies were going to be inevitable.

## Phase 3: Consolidation ▾

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### Right time and place

At the time of agreeing The Merged Services Organisation, Boston Council decided to withdraw from the project due to the timescales not being right.

Key lessons:

*Timing is crucial and keep the momentum going:* Merged Services worked within short timescales and the belief is this helped with making decisions and

consolidating strategy objectives. However, understandably this may not be right for all partners involved.

*Stick to a strict timeframe:* Keep focused otherwise the schedule can easily slip.

*Flexibility to allow partners to join in:* Due to the flexible structure of the project, partners are welcome to join in whenever it is appropriate, it's not restrictive.

This reduction in the number of partners from three to two required a re-assessment of the figures and resources. A target of October 2009 was set for a decision as to whether it was feasible for just two partners, along with a revised version of savings and investment. This was done internally, mapping out objectives of the project, benchmarking against other council projects and calculating the need to deliver merged services.

### **Investment and savings**

Following this, in October 2009, East Lindsey and South Holland decided to go ahead outlining a ten-year plan for setting up The Merged Services Organisation. The implementation investment across the two councils would be £4.65 million (spent upfront and not including running costs.) This included provision for:

- Resources not available
- Licences
- IT Systems
- Cost of setting up company

Key lesson:

*Invest to maximise benefits:* It is important to invest resources for a project like this to move forward, for example appointing full-time project team members. From day one the councils should decrease costs by 3% year on year. In year one alone this will save £9 million.

It is forecasted £19.5 million will be

saved over ten years with a 42% return on investment, an impressive figure. Per year, this would deliver £1.9 million in savings. All figures were calculated proportionately, thus East Lindsey and South Holland would save £1.2 million and £726,000 respectively according to size and investment. Importantly, the company is dead-locked so the status quo cannot be changed unless both parties agree.

Key lesson:

*Balanced partnership:* To keep focused and working towards the same objectives partners should work closely together, in a fair and balanced way, resolving issues quickly.

### **Re-designing the services**

‘Systems Thinking’, which seeks to find out exactly what the customer wants and then working back from this point, was used as the principle for re-designing the services. This was done at the same time as calculating the savings needed and putting time frames in place. By using this approach, members could see exactly what it would look like.

Key lesson:

*Customers are the key focus:* Service outcomes should be focused on the customer, to ensure their voice comes through at all times.

In January 2010, workshops were held for staff working in the five service areas to be re-designed,

other staff who are ‘customers’ of these service areas and Members as well as ‘external’ customers. Feedback was gained regarding:

- What does the service need to deliver?
- What do you want the service to deliver?
- How can the service be improved?

- Potential conflicts

Key lesson:

*It's all about relationships:* Any project can be a good idea on paper but relationships are absolutely crucial; building trust with the people you are working in partnership with is the key driver to moving a project forward.



Customer Service team at East Lindsey District Council

## Embedding merged services ▾

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Even before the official formation of The Merged Services Organisation, the team is already delivering results; last summer merged services bought the first single-election system package and has already delivered £50,000 - £60,000 in savings.

The next exciting steps to be taken for the setting up of The Merged Services Organisation include:

### Creating a brand identity

- Giving the company a name, and designing a business-to-business brand identity so people know it is separate. Additionally

developing a ‘company culture’ (whilst still being clearly aligned with the two separate councils), to see entrepreneurial spirit amongst people that work and manage it

### Finalise the company board

- An outline has been already decided:
  - Two members from each council
  - Chief Executives from each council
  - Managing Director of Merged Services

- Aim to make the company commercial:
  - Ambition to sell services
  - Take in public sector organisations as shareholders
  - Sell services on cash for service basis to public funded bodies

### The first re-design

The re-designed Human Resources service is due to be finalised in May 2010. It is one of the smaller service areas, but also one of the most important as it is all about people. Various actions to help the re-design have been taken:

- *Designing work packages*
- *Internal Teams:* Having a lead and three to five people in the team who provide significant input into what's happening now and how to do it in the future
- *Clear deliverables:* Have no doubt about what the service is delivering and the required return on investment
- *User manuals:* For users and buyers of a service (performance contract)

Inevitably lessons will be learnt from this that can be applied to the roll-out of subsequent re-designs.

## Continuing the journey ▾

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Even after two years in the making, The Merged Services Organisation is still in its infancy, with a considerable and exciting journey ahead:

*Tip of the iceberg:* In some ways this continues to be a pilot as many lessons learnt from this project will influence a change in services for other areas of the councils, with big savings and shifts in dynamics that can be made.

*Opportunity for leadership:* The opportunity to consider what it means for both the councils in terms of savings and merged services, for example what else can be shared in the future e.g. management, directors or a Chief Executive.

*“Although we have already come so far and are delighted with how the Merged Services project has evolved, we feel we are only at the beginning of our journey. We are determined that this project will deliver real tangible savings for our two councils, as well as improving the services we offer – that’s real value for money.”*

Nigel Howells and Terry Higgins  
Chief Executives  
East Lindsey and South Holland  
District Councils respectively

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### East Midlands Improvement and Efficiency Partnership Case Studies

The project was part-funded by the East Midlands Improvement and Efficiency Partnership (EM IEP) from resources delegated to the Lincolnshire sub regional partnership, Lincolnshire Improvement and Efficiency Partnership (LIEP), with a total of £435,000 invested in the project.

The EM IEP Support Team publish case studies showing how East Midlands councils are improving services, and delivering significant improvements and efficiencies.

The case studies are intended to inspire councils in the region, and indeed nationally, to transform services and benefit from the processes developed by those councils that have pioneered the way forward.

For all the latest news, guidance, good practice case studies and video case studies visit our website:

[www.eastmidlandsiep.gov.uk](http://www.eastmidlandsiep.gov.uk)