Inter-Municipal Cooperation:
The United Kingdom Case

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Abstract
L'articolo analizza il fenomeno della cooperazione intermunicipale (co-munemente nota come condivisione di servizi) nel Regno Unito. Come in altri ambiti l'approccio del Regno Unito si pone in modo anomalo rispetto a quello proprio della normativa dell'Europa continentale. Le dimensioni del governo locale, il sistema elettorale non proporzionale e il forte radica-mento del sistema di centralizzazione contribuiscono a determinare que-sta condizione. Comunque recenti evoluzioni potrebbero mitigare questa tesi di straordinarietà dell'approccio del Regno Unito. Il governo locale nel Regno Unito è attualmente nel mezzo di quella che può essere definita una "tempesta perfetta", un programma del Governo centrale di riduzione del disavanzo pubblico che sta decurtando le risorse abbinato a crescenti aspettative ed esigenze di servizi pubblici locali. A fronte di questa situa-zione il governo locale sta cercando nuove vie per migliorare la propria efficienza, risparmiare e incrementare le proprie entrate. La condivisio-ne di servizi è emersa come parte rilevante di questa azione. Il contesto istituzionale (che influenza il modo in cui gli attori definiscono i propri interessi e le proprie preferenze) sta cambiando e la condivisione di servizi tra diverse autorità locali sta diventando sempre più una prassi comune.

1. *Introduction*

In the UK there is a general political (and academic) consensus around the idea that local government operates in a fragmented, com-plex and interconnected policy and service delivery environment, and it rarely possesses the capacity and wherewithal in any given policy area to act alone[1]. Linked to this is the growing emphasis on 'part-

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(1) See T. Blair, *Leading the Way: A New System for Local Government*, London, Insti-

nership' working. Wilson and Game[2] list a multitude of partnerships local councils have with other public, private and community organisations[3]. 'Partnerships' are the new paradigm of local public service delivery in the UK:

The days of the all purpose (local) authority that planned and delivered everything are gone. They are finished. It is in partnership with others ... that local government's future lies. Local authorities will deliver some services but their distinctive leadership role will be to weave and knit together the contribution of various local stakeholders[4].

The strange thing in the UK is that this, until recently, has translated into the idea that the local authority should collaborate with other governing institutions in the public sector, the voluntary sector and the commercial sector, i.e., any other institution rather than their neighbouring local authorities. This stands in contrast to continental European countries where inter-municipal cooperation (IMC) in the provision of public services is a widespread phenomenon.
In the UK, IMC has little history. IMC has simply not been part of the DNA of UK local government. As Hulst *et al*. report, "General legal frameworks for IMC exist in almost all counties included in our research with the exception of the UK"[5]. However, this paper will

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tute of Public Policy Research, 1998; R.A.W. RHODES, *Understanding Governance*, Bristol, Open University Press, 1997; G. STOKER (ed.), *The New Management of British Local Governance*, Basingstoke, Macmillan, 1999; IDEM (ed.), *The New Politics of British Local Governance*, Basingstoke, Macmillan, 2000; IDEM, *Transforming British Local Governance: Theory and Practice*, London, Macmillan, 2004; D. WILSON, C. GAME, *Local Government in the United Kingdom*, 4th Edition, Basingstoke, Palgrave, 2006, pp. 141-156.

(2) D. WILSON, C. GAME, *Local Government*, cit., p. 148 s.

(3) Education Action Zones; Health Action Zones; Employment Action Zones; Sport Action Zones; New Deal for Communities Partnerships; Single Regeneration Budget Partnerships; Local Agenda 21 Partnerships; Connexions Partnerships; Early Years Development and Child Care Partnerships; Learning Partnerships; Sure Start Partnerships; Crime and Disorder Reduction Partnerships; Community Legal Service Partnerships.

(4) T. BLAIR, *Leading the Way*, cit., p. 13.

(5) R. HULST, A. VAN MONTFORT, A. HAVERI, J. AIRAKSINEN, J. KELLY, *Institutional Shifts in*

argue that there is evidence that the previously restrictive legislative environment is becoming more facilitative. The historical culture and norms of UK local government vis-à-vis IMC are being challenged.

The absence of IMC in the UK was the question to be resolved until very recently. However, in recent years there has been a noticeable trend towards 'shared services' in UK local authorities, some of which involve inter-municipal cooperation. This change has been very recent. Only four years ago, Kelly referred to "The Curious Absence of Inter-municipal Cooperation in England"[6] and that it was "'The Missing Ingredient' in UK local government"[7]. As Hulst *et al*.[8] note, "institutionalised cooperation between local government and upper level government" is gaining in popularity in the UK.

This paper will suggest that centrally driven initiatives are resulting in an increasing trend towards the exploration of the possibility of IMC. This has been facilitated by more liberal legislation allowing local authorities to act with greater freedom[9]. *The Improvement Service* in Scotland refers to shared services as "being explored by almost every council in the UK"[10]. Shared services, networks and partnerships are usually characterised as offering flexibility and improved performance, and a movement away from inflexible, fixed capacity, old and bureaucratic arrangements. For example, as the Scottish Executive (Government) outlined:

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Inter-municipal Service Delivery, *Intergovernmental Relations of the European Group on Public Administration*, Madrid, 2007, p. 8.

(6) J. Kelly, *The Curious Absence of Inter-Municipal Cooperation in England*, in *Public Policy and Administration*, 22, 2007, pp. 319-334.

(7) J. Kelly, *The Missing Ingredient: Inter-Municipal Cooperation and Central-Local Relations in the UK*, in R. Hulst, A. van Montfort (eds.), *Inter-Municipal Cooperation in Europe*, Wien-New York, Springer, 2007, pp. 193-210.

(8) R. Hulst, A. van Montfort, A. Haveri, J. Airaksinen, J. Kelly, *Institutional Shifts in Inter-Municipal Service Delivery*, cit., p. 11.

(9) Chartered Institute of Public Finance Accountants (CIPFA), *New Ways of Working and Innovation in Local Government*, London, CIPFA, 2009, p. 3.

(10) Improvement Service, *Shared Services – Current Developments across Scotland*, 2011.

Our aim is to develop shared business support functions and common business processes that are more independent of the traditional structures and boundaries that exist within the public sector[11].

The Communities and Local Government Department in England has also been advocating shared service delivery and "there are a growing number of good examples of joint service delivery"[12]. 'Shared services', however, is often not the same thing as what continental Europeans call IMC. In the UK shared services can often involve contractual arrangements with other local authorities or public agencies. There are only a few (but growing) instances in which a new corporate 'joint authority' has been created (a supra-local institution or single purpose agency), with all constituent local authorities playing a role.

This paper explores the situation in the UK, drawing from experience in both England and Scotland. In constitutional and legal terms the situation of Scottish local government is the same as in England. However, it should be noted that since devolution and the creation of the Scottish Parliament in 1999 the policy trajectories in Scottish and English local government, whilst similar, have not been wholly in sync[13].

This paper will seek to explore some interim hypotheses that could explain both the lack, and increasing development, of inter-municipal cooperation. This paper will proceed by suggesting there are two conundrums to be resolved regarding UK inter-municipal cooperation:

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(11) SCOTTISH EXECUTIVE EFFICIENT GOVERNMENT DELIVERY GROUP, *A Shared Approach to Building a Better Scotland*, Edinburgh, Scottish Executive, 2006, p. iii.

(12) CHARTERED INSTITUTE OF PUBLIC FINANCE ACCOUNTANTS (CIPFA), *New Ways of Working and Innovation in Local Government*, cit., p. 44, p. 49. See Appendix B for examples.

(13) See N. MCGARVEY, *Intergovernmental Relations in Scotland Post Devolution*, in *Local Government Studies*, 29, 2002, pp. 29-48; IDEM, *Local Government North and South of the Border*, in *Public Policy and Administration*, 20, 2005, pp. 90-99; IDEM, *Centre and Locality in Scottish Politics: From Bi- to Tri-partite Relations*, in C. JEFFERY, J. MITCHELL (eds.), *The Scottish Parliament 1999-2009: The First Decade*, Edinburgh, Luath Press/Hansard Society, 2009, pp. 85-92; IDEM, *Expectations, Assumptions and Realities: Scottish Local Government Post-Devolution*, in *British Journal of Politics and International Relations*, forthcoming; N. MCGARVEY, P. CAIRNEY, *Scottish Politics – An Introduction*, Basingstoke, Palgrave, 2008.

– Why has IMC been absent in UK local government?
– What explains the rapid emergence and development of a shared services agenda in recent years?

2. *Why has IMC been absent in UK local government?*

As noted above Kelly[14] emphasised that IMC was largely an absent phenomenon from local government in the UK. This paper will outline the factors commonly cited as inhibiting factors. These include the weak constitutional position and financial autonomy of local government; the culture of regulation and competition underpinning central-local relations; the limited power and autonomy of local government as evidenced by consistent boundary restructuring and withdrawal of responsibilities; the scale and strength of party political considerations as well as legal barriers inhibiting collaboration.

Nelles identifies two main approaches in the literature on IMC: 'regional governance' and 'inter-jurisdictional cooperation'. She suggests that these literatures rarely engage with one another despite the fact that they are broadly concerned with the same subject matter: understanding the processes and dynamics of horizontal relationships between local governments[15].

The regional governance literature focuses on the dynamics of collaborative governance between municipalities at the city-region level. It centres on the dynamics of politics around regional partnerships. Factors commonly cited as important include power and autonomy of local political leaders, availability and distribution of local resources, financial autonomy, influence of political parties, pre-existing structures of governance and influence of legislation made at higher levels of government[16]. In this literature IMC is defined as:

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(14) See footnotes nr. 6 and nr. 7.

(15) J. NELLES, *All For One? The Dynamics of Intermunicipal Cooperation in Regional Marketing Partnerships*, in *Centre d'Etudes de Populations, de Pauvreté et de Politiques Socio-Economiques / International Network for Studies in Technology, Environment, Alternatives, Development Working Paper*, 18, 2010, p. 5.

(16) J. NELLES, *All For One?*, cit., p. 4.

voluntary association of governmental and non-governmental organisations in a defined geographic area for the purpose of controlling or regulating behaviour within and performing functions or providing services for the overall territory[17].

The literature on inter-jurisdictional negotiation is a variant on rational choice literature which focuses on the actions, motivations and incentive structures of individual decision-makers as they seek to achieve collective action in a localised environment. This literature tends to emphasise transaction costs as barriers to cooperation and cost-benefit calculations as an over-riding factor in the considerations of policymakers. The factors likely to be considered include information and coordination costs, negotiation and division of benefits, enforcement and monitoring, direct financial and political costs and, most importantly the absence or presence of coercion or selective incentives[18].

This paper will seek to utilise insights generated by both sets of literature as it seeks to address the absence of IMC in the UK and the emergence of a shared services agenda in recent years. If one examines the absence of IMC from a regional governance perspective, obvious factors in the UK are evident: the weak constitutional position of local government; the limited power and autonomy of local political leaders; the very weak financial autonomy; the centralist culture which affords great influence to legislation made at higher levels of government; the strong influence of local political parties; and the availability and distribution of local resources.

The constitutional position in the UK is such that local government in the UK was established in a piecemeal fashion – they are creatures of statute. Their functions and purpose stem from Acts of Parliament. They can be added to, or taken away, according to the whim of those controlling Parliament (in the UK this, almost always, means as central

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(17) D. NORRIS, *Prospects for Regional Governance Under the New Regionalism: Economic Imperatives versus Political Impediments*, in *Journal of Urban Affairs*, 23, 5, 2001, p. 535.

(18) J. NELLES, *All For One?*, cit., p. 4.

government). The legal doctrine of '*ultra vires*' – a Latin legal term that translates as 'beyond powers' – means councils which act outside *ultra vires* would be acting unlawfully[19]. Councils are also judged as to whether they have met their fiduciary duty in their expenditure. Moreover, local authorities in the UK have until recently lacked powers of general competence.

Kelly argues that the weak constitutional position of local government in the UK results in an environment where:

wariness is embedded in local authorities' structures and practices; specifically that practitioners are obliged to ensure that councils, as legal entities, fulfil their managerial, political, democratic and constitutional responsibilities[20].

Linked to this is the regulatory environment in which UK local government operates. Central government's policy objectives and legislation dominate the local government policy agenda. Since the late 1960s the trend has been towards increased centralised control[21]. Central government continues to steer local authorities through the agency of inspectorates and regulatory bodies and policy initiatives[22]. Ministers use statutory instruments which effectively constrain councils by prescribing the implementation of primary legislation[23]. Auditing, inspection and regulatory bodies judge them on 'value for money' and 'best value'. Auditing in the UK has gone from being about legality and probity to encompassing local authority performance and policy. Auditing bodies now advise councils on how best they can fulfil policy prescriptions and performance criteria set out by government[24]. The top-down nature of this results in local authorities' being more inclined to look upwards rather than sideways for guidance and cooperation.

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(19) J. KELLY, *The Curious Absence*, cit., p. 195.

(20) J. KELLY, *The Missing Ingredient*, cit., p. 320 s.

(21) CHARTERED INSTITUTE OF PUBLIC FINANCE ACCOUNTANTS (CIPFA), *New Ways of Working and Innovation in Local Government*, cit.

(22) J. KELLY, *The Curious Absence*, cit., p. 194.

(23) J. KELLY, *The Curious Absence*, cit., p. 195.

(24) J. KELLY, *The Missing Ingredient*, cit., p. 322.

Another factor inhibiting the development of horizontal cooperation is the culture of competition that audit and regulatory bodies have instilled. Performance indicators and league table rankings indirectly encourage competition through notions of competition by comparison, i.e., neighbouring local authorities compare their performance in specific areas. Auditing bodies stimulate quasi-competition between neighbouring councils by using the level of local taxation and quality of services as indices of how well local authorities are run[25].

This framework of governance is underpinned by central-local financial relations. Central government grants have moved from being used permissively, to encourage councils to implement national policy, to giving them less latitude. At the same time councils have become far more dependent on central grants. Today local authorities in the UK raise, on average, only 20% of what they spend: the rest is accounted for in the form of central government grants given to local authorities. This creates a relationship of financial dependency, lessening the scope for local policy autonomy.

It is also the case that many of the services where the greatest likelihood of IMC exists are the very ones which have been withdrawn from local government's competence in the past 30 years. As Kelly notes, "opportunities have diminished considerably as councils lost responsibility for services provision as a result of privatisation and transfer of power to new government agencies"[26]. These include policy areas such as public transport, firefighting, police, housing, water and sewerage. Linked to this is the encouragement – in remaining services – to consider alternative means of service delivery, beyond the traditional direct service delivery route. Enabling, commissioning, outsourcing, externalisation, partnering have been encouraged as alternatives to in-house service delivery.

Local authorities in the UK tend to, on average, cover larger populations than their continental European counterparts[27]. Prior to reorgan-

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(25) J. KELLY, *The Curious Absence*, cit., p. 194; IDEM, *The Missing Ingredient*, cit., p. 324.

(26) J. KELLY, *The Curious Absence*, cit., p. 194.

(27) R. BARTLEY, G. STOKER, *Local Government in Europe*, Basingstoke, Macmillan, 1991, p. 31.

isations in the 1970s local authorities in the UK tended to be smaller, and shared chief executives and services were more commonplace[28]. Since the creation of larger units this has become much rarer.

In summary, it is fair to say that there are numerous institutional factors which go some way to explaining the lack of IMC in the UK. It could be said that faced with such an environment, individual decision-makers in localities may lack the appropriate incentive structures that would lead them down the path of IMC and collective action in a localised environment. The coercive transaction barriers and costs have been simply too high. These have prohibited council leaders and chief executives from even considering the information and coordination costs, negotiation and division of benefits, enforcement and monitoring and direct financial and political costs associated with IMC.

This would appear to be the conclusion of Kelly when she argues that "at the institutional level local authorities have fewer opportunities and incentives to work jointly with neighbouring councils than they do with the private and not-for-profit sectors"[29]. She suggests that "securing institutional cooperation between councils remains problematic because of the impediments that are embedded in institutional structures and policies that prevent, rather than support, collaboration", and that "'bottom up' horizontal IMC is impeded by embedded historical/cultural factors within local government, which are coupled with the persistence of central policy drivers that promote managerialism and centralism"[30].

There is also the fact that UK local government has gone through an almost continuous process of boundary redrawing with major changes taking place in the 1970s, 1980s and 1990s. Much of the boundary changes were highly partisan with party political gerrymandering playing a part in the politics surrounding boundary maps. These reorganizations have created councils that, in order to establish their

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(28) Chartered Institute of Public Finance Accountants (CIPFA), *New Ways of Working and Innovation in Local Government*, cit., p. 89.

(29) J. Kelly, *The Missing Ingredient*, cit., p. 320.

(30) *Ibidem*.

own identity in the communities, feel the need to look inward rather than outward to establish their 'brand' in their area. For example, in Scotland every council (apart from three island authorities) was newly created in 1996 (and the councils they were replacing were only established in the mid-1970s). Added to this the significant upheaval in Scottish governing arrangements following devolution and the setting up of the Scottish Parliament in 1999, it is not difficult to see why most councils have been 'looking after their own house', rather than seeking cooperation from their neighbouring councils. The 1996 reorganisation abolished regional and (smaller) district councils in Scotland and created new unitary authorities. In the early years of their existence these new unitary councils were unlikely to engage in actions suggestive of their incapacity to function as stand-alone councils.

Linked to this is the notion that partnership working challenges what Skelcher refers to as the "functional sovereignty" of local authorities, undermining their political authority as "the democratic voice in the community"[31]. Suburban local authorities fail to see the benefit of cooperation with larger city authorities, in that the former are wary that their interests will be subsumed by those in the city[32]. Stewart similarly notes that the creation of unitary authorities in areas of England compounded the negative effects of pre-existing political differences and local rivalries[33].

Politics is undoubtedly an important factor inhibiting IMC. Sharing set-up costs, running costs, the costs of unforeseen overruns or withdrawals as well as the site of joint operations requires hard-nosed political negotiations. For example, Argyll and Bute Council in Scotland discuss cooperation with other councils in the North of Scotland Local Authorities Group. The key political question in discussion is the simple one, 'Where are the jobs'? Argyll and Bute Council jobs are so important to towns such as Campbelltown, that it could not

(31) C. Skelcher, *The New Governance of Communities*, in G. Stoker, D. Wilson (eds.), *Local Government in the United Kingdom*, Basingstoke, Macmillan, 2004, p. 35.

(32) J. Nelles, *All For One?*, cit., p. 17.

(33) J. Stewart, *The Nature of British Local Government*, Basingstoke, Macmillan, 2000.

countenance the possibility of losing them to another local authority. Such hard-nosed political factors surrounding the sites of shared service arrangements are very important. Local politicians are much less willing to make decisions which would involve the loss of jobs in local communities than remote CEOs of commercial corporations or bankers – the political fall-out would be too great. Linked to this is the relative size of potential partners and the possible perception of cooperation as a 'takeover'.

This even applies if a commercial company takes over an 'in-house' operation – for example SERCO have taken over Glasgow City Council's... There is also the very obvious point that the start-up costs of shared services arrangements often mean that financial savings will perhaps only be reaped five years or more 'down the line'. Senior managers or councillors in local councils may be unwilling to drive an agenda (which will inevitably involve some short-term political pain) if they will not reap any dividend from it (they are likely to have moved on or retired once savings are reaped). In the short term they would be creating instability without any savings or political reward.

EU procurement and public subsidy legislation has been cited as a barrier. In Scotland two neighbouring local councils – Stirling and Clackmannanshire – wanted to create a single service organisation. However EU rules meant it would be classified as a monopoly in the local area and for that reason the councils would have to go through a tendering process, complicating (and adding cost) to the potential IMC arrangement.

There is a danger that public interest in such partnerships is marginalised as they become bargaining arenas for the leaderships of their constituent members. The Audit Commission in England and Wales make this point when they argue:

Partnership working incurs costs. If partnerships spend too much time in meetings discussing process issues instead of focusing on achieving their objectives, the costs can outweigh the benefits[34].

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(34) AUDIT COMMISSION, *Governing Partnerships – Bridging The Accountability Gap*, London, Audit Commission, 2005, p. 25.

Wilson and Game suggest that the tone of the Audit Commission re-
port suggests that it feels UK central government has gone "too far,
too fast" in its uncritical enthusiasm for partnerships[35]. The Report
notes how few councils had calculated the costs of partnership work-
ing. One council acknowledged, "We've never looked in detail at in-
puts, outputs and outcomes, and would find this damned scary, since
it would clock up big numbers"[36]. The Audit Commission also point
to the accountability issue – the same standards of scrutiny and per-
formance management are not applied to partnership arrangements
as non-partnership arrangements[37]. In summary, the lack of IMC in
UK local government does not appear particularly difficult to explain.
In discussing IMC, Hulst *et al.* argue:

The combination of small-scale local government, broad policy domains, and
the absence of upper level government or private sector firms that can pro-
vide a satisfactory level of large scale public services almost inevitably drives
local government to seek cooperation with their neighbours[38].

Almost all of these factors are absent in UK local government. Given
this, what does become difficult to understand is the emerging shared
services agenda in the UK, as many of the factors outlined above as
inhibiting IMC remain present.

3. *Forms of shared services in the UK*
As noted in the introduction, a shared services agenda has emerged in
the UK (see Appendices for specific examples). It is not referred to as
IMC principally because IMC is only one of many types of service de-
livery arrangements which fall under the banner of 'shared services'.
Examples of shared services arrangements include:

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(35) D. Wɪʟsᴏɴ, C. Gᴀᴍᴇ, *Local Government*, cit., p. 151.

(36) Aᴜᴅɪᴛ Cᴏᴍᴍɪssɪᴏɴ, *Governing Partnerships*, cit., p. 25.

(37) Aᴜᴅɪᴛ Cᴏᴍᴍɪssɪᴏɴ, *Governing Partnerships*, cit., p. 2.

(38) R. Hᴜʟsᴛ, A. ᴠᴀɴ Mᴏɴᴛғᴏʀᴛ, A. Hᴀᴠᴇʀɪ, J. Aɪʀᴀᴋsɪɴᴇɴ, J. Kᴇʟʟʏ, *Institutional Shifts*,
cit., p. 18.

– *Public Sector Consortium* (two or more public agencies working together). In any council area there will be a plethora of other public agencies such as separate police and fire boards, National Health Service Boards, housing associations, regional development agencies, Benefits Agency, Jobcentre Plus, Local Enterprise Company. This arrangement would involve some form of separate corporate body.

– *Joint Committees (in Scotland Boards).* A common arrangement well known to councils and subject to the same legislation as other council committees, i.e., they have delegated functions. A lead authority (in England and Wales) must enter into contracts, as it is not a corporate body, and consideration must be given to EU procurement requirements.

– *Public Private Partnerships.* Council(s) working with one or more commercial companies to deliver a public service. Normally this will involve an arrangement whereby a commercial company/consortia design, build, finance and operate capital infrastructure (e.g. school) and the council delivers its service within it[39].

– *Regional Marketing.* Neighbouring councils working together to market their area for tourism, sports event hosting or the like[40].

– *Limited Liability Partnerships* (LLP). These are becoming increasingly common in the UK. An LLP is a form of legal business entity with limited liability for its members. LLPs offer flexibility and tax advantages, but must be run to make a profit. Usually both council and commercial interests sit on the board.

– *The Community Interest Company* (CIC) was launched as a 'custom-made' vehicle for social enterprises in 2005. It was a new type of company designed for social enterprises that want to use their profits and assets for the public good[41].

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(39) E.g., *Manchester Working* is a limited company in which Manchester City Council is a minority shareholder (20%) and Morrison Facilities Services Limited private sector partner (80%); it undertakes housing and building maintenance and repairs. It is an alternative to the direct service provision model.

(40) E.g., *Marketing Manchester*.

(41) It is a business with primarily social objectives, reinvesting surpluses in the business or the community rather than being driven by the need to make profits for the benefit of the members. A main principle of a CIC is the 'asset lock' – assets, cash and

– *Joint Venture* through companies and trading.
– *Partnering Contracts* through Shared Services Arrangements.
Most of these arrangements tend to be predicated around a single purpose. IMC in the UK at the moment is usually of the 'light' or 'soft' variety, i.e., it lacks formal institutional structures and usually takes a less integrated form via contractual agreements. Arrangements can be associated with 'contractualization', which has been a growing phenomenon in UK local government since the 1980s. The flexibility such arrangements offer has been part of their appeal. This is, of course, part of the wider set of ideas associated with the term New Public Management (NPM) which has resulted in a move away from bureaucracy to marketisation as the organising principle in the public sector[42]. NPM is associated with a raft of managerial reforms from the 1980s emphasising incentivization, disaggregation and competition in the public sector.

Until recently, there were few standing organisations that have been created as a result of IMC. However, recent years have seen a flourish of such arrangements. These have not been limited to similar generic standard back-office tasks such as payroll, finance, human resources, revenue and benefits. For example, a radical (by UK standards) joint services approach is that of Hammersmith & Fulham Council, the Royal Borough of Kensington & Chelsea and Westminster City Council who have announced a plan to combine back office and management costs. This would involve reducing chief executive posts from three to two, combining corporate overheads such as facilities management, IT and HR, combining children's and education services with a single director and combining adult social care with a single direc-

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property can only be used for the stated community purpose. CICs must satisfy the 'Community Interest Test', demonstrating that a reasonable person would perceive their activities as being in the interests of the community. The relevant community must not be an unduly restricted group or have political motives. As such, being a CIC may be viewed as a badge of commendation: the title proves the company will use its profits and assets for the public good and is a reassuring brand which third parties can feel confident in engaging with.

(42) O.E. Hughes, *Public Management and Administration*, Basingstoke, Palgrave, 2003, p. 15.

tor in charge of commissioning services. They also announced plans to explore further integration in customer services, waste management, street cleaning, contingency planning, environmental health, and parks management.

In Scotland, shared service arrangements are being explored across the country (see Appendix A for details). The eight local authorities in the Clyde Valley (Greater Glasgow) region commissioned a review of the potential for shared services between them. The review argues for 'overcoming legal impediments' and suggests the Scottish Government should support secondary legislation to smooth the way for inter-authority shared services. According to an Ipsos/Mori survey, the vast majority of Scotland's public sector (80%), from local authorities and health boards to government bodies and agencies, have one or more shared service agreements in place[43].

'Hard' IMC cooperation involves the creation of some form of standing organisation. To date, there are few examples of such inter-municipal corporatized multi-purpose forms of administration in the UK. In England and Wales, local councils can create Joint Committees, but they are not corporate bodies and cannot therefore enter into enforceable contracts, nor do they have the power to employ staff – one of their constituent councils must carry out these activities on their behalf. In Scotland, in contrast, a minister can order the incorporation of any joint committee as a joint board, allowing it to enter into contracts, own property and employ staff[44]. Joint committee arrangements are the most cost-efficient in terms of the avoidance of start-up costs and the on-going managerial costs of a joint administration[45]. The building up of an organisation requires defining norms of operational practice. In summary, a shared services agenda has rapidly emerged in the UK in recent years. From being rather peripheral to mainstream management and political thinking, shared services is now at the forefront

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(43) SERCO/CIPFA, *Shared Services in Scotland: The £750M Question*, 2010.

(44) Chartered Institute of Public Finance Accountants (CIPFA), *New Ways of Working and Innovation in Local Government*, cit., p. 16.

(45) R. Hulst, A. van Montfort, A. Haveri, J. Airaksinen, J. Kelly, *Institutional Shifts*, cit., p. 16.

of the local government agenda. However, most of the IMC is at the 'softer' end of the continuum, with contracts and joint committees more common that 'hard' stand-alone joint operations.

4. *Why has IMC emerged onto the agenda of UK Local Government?*
However, this new agenda does beg the question of how this has happened, given the weight of constraining factors outlined above. This section will outline some new developments which may help explain IMC's emergence onto the local government policy agenda in the UK. These include new legislative powers which have strengthened the strategic and operational flexibility of local authorities – creating a more facilitative regulatory environment, a growing inter-organisational trust at the strategic level which has filtered down to operations, a radically altered financial context, rapidly changing informational and communication technologies, and a more benevolent political environment with restructuring now a distant memory and reformed internal political structures.

Both the UK and Scottish governments have emphasised a message designed to reshape the attitudes and incentive structures facing political actors towards shared services. Engagement with other public or commercial sector providers is no longer optional in many instances. The legal background relating to local government has become more liberal and facilitative, with local authorities allowed greater freedoms[46]. A key to this was the introduction of well-being powers – the lack of these powers inhibited innovative practice. As noted above, local councils in the UK are creatures of statute and acting outside legal powers "could historically mean surcharge and disgrace for any members who transgressed – a poor incentive for taking risks and acting differently"[47]. Table 1 below outlines the legislation which has afforded local authorities increased opportunities to form and participate in IMC arrangements.

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(46) CHARTERED INSTITUTE OF PUBLIC FINANCE ACCOUNTANTS (CIPFA), *New Ways of Working and Innovation in Local Government*, cit., p. 44.

(47) CHARTERED INSTITUTE OF PUBLIC FINANCE ACCOUNTANTS (CIPFA), *New Ways of Working and Innovation in Local Government*, cit., p. 3.

Tab. 1. *The Changing UK Legislative Environment Facilitating Shared Services*

Health Act (1999) Section 31. Sought to promote collaborative working by removing legal and other barriers and by encouraging lead commissioning, integrated service provision and pooled budgets between local and health authorities.

Local Government Act (2000) Section 2. Gives local authority power to do anything it considers likely to achieve the promotion or improvement of the economic, social or environmental well-being of its area (England and Wales).

Local Government Act (2000) Section 95. Updates and expands the legal powers for trading and franchising found in the Local Authorities (Goods and Services) Act 1970.

Limited Liability Partnership Act (2000). Introduced a new form of corporate business association, a hybrid model drawing on the flexibility of traditional partnership and the safeguards of limited liability.

Local Government Act (2003). Removed the complex and legalistic regime governing local government finance, affording local authorities greater freedom to borrow without central government approval. It allows for the loosening of ties between the financial performance of arms length companies and the local authorities own financial position.

Companies (Audit, Investigations and Community Enterprise) Act (2004). Allowed local authorities to create CICs where profits (other than capped interest or capped dividend) or residual assets on winding up cannot be distributed to its members or shareholders and assets must be used for public interest purpose.

Charities Act (2006). Allows for the creation of a charitable incorporated organisation which avoid the double regulation that exists where a company limited by guarantee is designated as a charity and is regulated by both Companies House and the Charity Commission (England and Wales) or Office of the Scottish Charity Regulator.

National Health Services Act (2006) Section 75. Updates previous legislation (the Health Act 1999) which promoted collaborative working between local and health authorities.

Local Government and Public Involvement in Health Act (2007). Placed a responsibility of local authorities and primary care trusts to work in partnerships to develop a joint strategic needs assessment for the local population.

Transport Act (2008). Extends well-being powers to integrated transport authorities.

Kelly argues that IMC between councils in England has been driven by higher tiers of government and cooperation "is mostly hierarchical and/or constructed with a policy frame instrumental to the realization of central government policies objectives"[48]. Much of the shared services agenda is centrally driven. The UK Cabinet Office has expressed a view that:

... by 2016 the majority of transactional elements of Corporate Services in the public sector will be delivered through a handful of professional shared service organisations. Some of these organisations will remain inside the public sector, but many will be outsourced[49].

Regional offices in England established in 1994 have evolved into an important structural arrangement that encourages councils to work together[50]. In England this has been accentuated since 1997 with central government-instigated initiatives "to encourage councils to adopt collaboration for common purpose with other agencies that provide public services in their localities"[51]. Amongst these has been the introduction of Local Public Service Agreements:

In practice... guidance from the government indicates that the targets mostly reflect *national* aims; although local ambitions are included they have less importance. Indeed there are expectations from the GOs that councils should choose a majority of targets from the specific issues incorporated in national PSAs that relate to local government services[52].

In Scotland, these agreements are referred to as 'Community Plans', but they reflect similar aspirations: the strengthening of connections between public sector agencies, local government, commercial, vol-

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(48) J. KELLY, *The Missing Ingredient*, cit., p. 332 s.

(49) SCOTTISH EXECUTIVE EFFICIENT GOVERNMENT DELIVERY GROUP, *A Shared Approach to Building a better Scotland*, Edinburgh, Scottish Executive, 2006.

(50) J. KELLY, *The Curious Absence*, cit., p. 193.

(51) J. KELLY, *The Curious Absence*, cit., p. 199.

(52) J. KELLY, *The Curious Absence*, cit., p. 203.

untary and community sectors. 'Community Planning Partnerships (CPPs) were given a statutory basis with the Local Government Act (Scotland) 2003. These partnerships were given new impetus post 2007 when they were required by the Scottish National Party minority Scottish Government to establish Single Outcome Agreements (SOAs) in their local area. SOAs involve major public sector bodies in a council area coming together to agree on service delivery priorities.

The collaboration with other agencies in public service agreements and community planning in order to achieve strategic objectives "is an essential stepping stone to collaboration for service delivery as the discussions reveal common agendas and trust develops between individuals and organisations alike"[53]. Cooperation at the strategic level induced post 1997 by these new innovations facilitated the building up of trust between institutions.

At both Scottish and UK levels, central government has sought to work in partnership with local authorities in an effort to achieve greater co-ordination between different policy initiatives. It has considerable leverage by virtue of financial dependency and regulatory oversight capacity. In Scotland partnership is a dominant theme with the Scottish Government signing an agreement with the umbrella group, the Convention of Scottish Local Authorities (COSLA) in 2007[54].

Achieving 'best value' and 'getting more with less' has been the mantra in the UK public sector for some time now – the 2010 changeover from the Labour to the Conservative-Liberal Democrat Government and the deficit reduction drive has accentuated that message. Finance is undoubtedly a significant factor. The Society of Local Authority Chief Executives (SOLACE) states that "unprecedented pressures on public finances means the UK will have to find new ways of deliver-

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(53) CHARTERED INSTITUTE OF PUBLIC FINANCE ACCOUNTANTS (CIPFA), *New Ways of Working and Innovation in Local Government*, cit., p. 36.

(54) COSLA is an umbrella group for all 32 local authorities – urban, suburban, rural and island. When one considers the variety of councils this is no mean feat. It has given COSLA an institutionalised status in its dealings with the Scottish Government over finance and issues in other policy areas. COSLA is amongst the Scottish Government's most established and insider pressure groups – it is an institutionalised part of the policymaking process at the Scottish level.

ing public services"[55]. There are also cost pressures such as increasing regulatory burdens and above inflationary rises in energy costs. More stress on shared services has undoubtedly been prompted partly by the climate of restraint and retrenchment in UK public sector budgets. The Scottish Government has outlined the intention to support functions such as accounting, payroll, procurement, human resources, information and communication technology, which all organisations need to support their core business[56]. It outlines shared services as a concept that has become "an accepted mainstream approach for improving organisational efficiency" and "is now increasingly being adopted in the public sector in the United States, Canada, Australia and New Zealand as well as the UK". The Consultation paper outlines surveys reporting cash savings of 14% to 60% arising from process re-engineering (frequently linked with introduction of new technology), standardisation (sharing ICT, staff training and the like) and consolidation (to exploit economies of scale). As well as financial savings it is suggested that in shared service organisations the provision of support services is the prime function; this elevates the status of these services to the 'front line', which is conducive to the development of higher quality services (than when they were a 'back office' function). It has also been prompted by environmental factors such as new information and communication technologies which mean that economies of scale may be more easily exploited. In any organisation, the more it requires significant capital investment and a variety of specialized services, the bigger its minimum scale of operation. Local councils can hope to get a better deal from private companies if they join forces to strengthen their bargaining power. There is evidence of local authorities in the UK seeking to exploit this (see Appendices). There are also political factors to consider. Major local government reorganisations in the 1970s and 1990s did not help create an environment conducive to IMC. The recent history of regional governance in

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(55) SOLACE (Scotland), *The Future of Public Services in Scotland*, SOLACE, 2010, p. 1.

(56) SCOTTISH EXECUTIVE EFFICIENT GOVERNMENT DELIVERY GROUP, *A Shared Approach to Building a better Scotland*, cit., p. 2.

Scotland is dominated by the experience of regional councils which existed between 1975 and 1996. The 1970s reorganisation rationalized the number of councils and was driven by the belief that larger councils could exploit economies of scale and be more efficient. The two tier system only survived for two decades in Scotland and parts of England. Restructuring in the 1970s and 1990s meant councils were in a constant state of flux, making siege mentalities more likely, and discouraging IMC. The mid 1990s reorganisations are now a distant memory and with no further reorganisation on the horizon local authorities today may be less fearful of working with their neighbours without fear of their own institutional survival.

In Scotland there is also the fact that the political complexion of all councils radically altered in 2007 after the introduction of a single transferable vote electoral system. Almost all councils now have some form of coalition. The inward-looking, one-party monopolistic machine-like Labour dominant councils associated with central Scotland have almost all disappeared. Only half of the councillors returned in 2007 were incumbents – this could have contributed to fresh thinking within local authorities. Linked to this are changed internal political structures across the UK. There has been a move away from traditional committee-based towards executive model structures. This centralisation of political power challenges the traditional 'invisible leadership' associated with service-dominated fiefdoms[57]. A stronger centre, it could be suggested, is more likely to challenge traditional ways of working.

5. *Conclusion*

The UK has a long history of being the 'awkward partner' in the EU – it was a late and relatively reluctant participant. Its island status, idiosyncratic customs, non-proportional electoral system and deeply embedded systems of government contribute to its outlying status. So perhaps its exceptionalism with respect to IMC is not altogether

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(57) P. JOHN, *Strengthening Political Leadership? More than Mayors'*, in G. STOKER, D. WILSON (eds.), *British Local Government into the 21st Century*, Basingstoke, Palgrave, 2004.

surprising. In the UK IMC is commonly facilitated by higher tiers of government and is more commonly referred to as 'shared services'.

The UK institutional context is important in understanding and explaining both the presence and the type of IMC which takes place. The formal structure of the UK state and the position of local government within it is crucial in understanding IMC. The broad factors of importance usually cited in the literature include: the number of tiers of government; how responsibilities are distributed between each tier; the scope and autonomy of local authorities; the number and size of councils in relation to both population and geography. The governing context and culture of a system of government, i.e., the standard operating procedures, norms and informal rules influencing how councils relate to each other as well as higher tiers of government, is also important. Other things being equal, cooperation is more likely when there are small local councils with broad policy domains and less likely when there are large local councils with small policy domains[58]. The statutory framework and incentive structures created define both the constraints and opportunities which exist for IMC[59]. The UK, at least until recently, appears to have had a constraining institutional context.

However, developments recently would temper this thesis of UK exceptionalism. Local government in the UK is presently in the midst of what could be called a 'perfect storm' – a UK Government deficit reduction programme which is cutting back central grant coupled with rising expectations and demands for local government services. Councils are looking to new ways to increase efficiency, make savings and increase their own income. Sharing of services has emerged as an important part of that agenda.

It would appear that the institutional context (which influences the way actors define their interests and preferences) in the UK is changing, and the sharing of services between different local authorities

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(58) R. HULST, A. VAN MONTFORT, A. HAVERI, J. AIRAKSINEN, J. KELLY, *Institutional Shifts*, cit., p. 2.

(59) R. HULST, A. VAN MONTFORT, A. HAVERI, J. AIRAKSINEN, J. KELLY, *Institutional Shifts*, cit., p. 3.

is becoming more common practice. This is being aided by recent changes in local authority law with greater legislative freedoms allowing greater experimentation and innovation away from embedded council practice. Local political actors and local authorities are engaging in interactive processes. Many of these new processes are based around new legal arrangements and unfamiliar structures.

The focus of much research in the local politics field in the UK over the past 20 years has been on the associational relationships which exist in different policy areas between actors and agencies linked by policy and bounded by resource dependencies[60]. Surprisingly little of this literature directly addresses the question of inter-municipal cooperation. At present there is a 'weak evidence base' on which to base judgement of efficiency savings associated with shared services in the UK[61]. Understanding cooperation and why it occurs is likely to become an increasingly key question in any analysis of local governance in the UK.

Appendix A: *Shared Services in Scottish Local Government*

Service(s)	Region
Pensions Pathfinder Programme	All Scottish councils
National Recruitment Portal	
Shared Public Information Notices Portal	
Trading standards (rogue traders)	
Building standards	All Ayrshire Councils
Environmental Health	
Valuation Board	
Education (curriculum development)	
Electronic Management Storage	

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(60) J. KELLY, *The Missing Ingredient*, cit., p. 324.

(61) CHARTERED INSTITUTE OF PUBLIC FINANCE ACCOUNTANTS (CIPFA), *New Ways of Working and Innovation in Local Government*, cit.

Service(s)	Region
Trading standards	Ayrshire; Forth Valley; Aberdeen & Aberdeenshire; Dundee, Angus, Perth & Kinross
Emergency Planning	Ayrshire; Inverclyde, East Renfrewshire, Renfrewshire; Aberdeen, Aberdeenshire, Moray; South East
Waverley New Railway Project	All South East Councils
Forth Road Bridge	
Strategic Planning	Clyde Valley; Edinburgh, East & West Lothian, Borders
Waste Management	Clyde Valley; Edinburgh, Lothian, Borders, Fife; Dundee/Fife
Archaeology	Clyde Valley
'Back Office' Services	
Common charging framework	
Community Care Addiction Services	
Scientific Services (food/ agriculture)	
Education (Gaelic teaching)	
Strathclyde Passenger Transport Executive	
(one of seven regional transport partnerships)	
Employee Learning & Development	
Employee Training Standardisation	
Shared ICT Infrastructure	
PFI Waste to Energy Project	Dundee, Angus
Integrated Street Lighting	Dundee, Perth & Kinross
Social Transport	Clyde Valley, Forth Valley
Fleet Management & Maintenance	
Roads Maintenance	Clyde Valley; Edinburgh, Lothian, Borders, Fife
Flexible working (shared buildings, training)	Edinburgh, Lothian, Borders, Fife.
Payroll/HRM/Audit	
Joint Procurement	

Service(s)	Region
Joint Procurement (Salt)	Ayrshire (3) councils, Inverclyde, West Dunbartonshire, East Renfrew; Aberdeen, Aberdeenshire, Moray
Education	East & Midlothian
Social Work	
Accident Investigation	Forth Valley
Closed Circuit TV Partnership	
Forth Valley GIS Joint Company	Forth Valley
Revenue and Benefits Processing	North of Scotland
Housing Forum (consultation/ studies)	Lothian Councils
Debt Collection	Argyll & Bute, Western Isles, Highland, Moray & Aberdeenshire
Banking	Aberdeen & Aberdeenshire
Advertising Media Provision	12 councils (including Renfrewshire, South Lanarkshire, West Lothian, Aberdeenshire) through Excel; Ayrshire
Sexual Offenders Throughcare Partnership	Renfrew, East Renfrew, Inverclyde
Criminal Justice Partnership	East & West Dunbartonshire, Argyll & Bute; Forth Valley & Fife
Social Work Services	Renfrew, East Renfrew
Community Health & Care Partnership	Clyde Valley & Greater Glasgow & Clyde Health Board
Disability Equipment Provision	Glasgow, East & West Dunbartonshire, East Renfrewshire; Edinburgh, East & Midlothian
Substance Misuse Team	Highland Islands, Argyll & Bute
Business Gateway Services	East Renfrewshire, Renfrew, Inverclyde; Highland & Moray; South East; Dundee, Angus, Perth & Kinross
Domestic Abuse Training	Falkirk, Stirling & Clackmannanshire
Teaching Professional Development	Inverclyde, West Dunbatonshire, Renfrew
Out of hours social work service	Clyde Valley; Forth Valley; Edinburgh, Midlothian, East Lothian

Source: Improvement Service 2009 Survey of Shared Services.

Appendix B: *Examples of Inter-Municipal Cooperation in the UK*

Tyneside Local Authorities undertake a joint Newcastle Airport Operation, though 50% was recently sold off.

Adur District Council and Worthing Borough Council have an evolving incremental partnership which started with waste and recycling services but has evolved into a joint manager structure for the two authorities with one chief executive, three corporate directors and ten executive heads of service.

Anglia Revenues Partnership between Breckland, Forest Heath District and East Cambridgeshire Councils. The first two councils agreed to deliver revenues and benefits services to form a partnership in 2003 with staff, IT and accommodation brought together. The latter council joined in 2007.

Devon Building Control Partnership (South Hams District, Teignbridge District, West Devon Borough Council). This came into being in 2004 and serves a population of 250,000. The governance of it is under a joint committee (partnership board). The board consists of two elected members from each council. Teignbridge is the host authority for contracting purposes.

Essex, Suffolk and Nottinghamshire Counties have all established Legal Services Partnerships bringing together legal services for all the councils in the counties. It is an alternative to using private sector firms and makes best use of in-house legal expertise.

Suffolk Public Service Village. The county and district council brings together a range of public services on one site – finance, planning, transportation, engineering, IT, waste management.

Somerset County Council and Taunton Deane Borough Council. Signed a 10 year contract with IBM in 2007 to create a new Joint Venture Company, Southwest One. Avon and Somerset Police Authority contracted to having services provided by the joint venture company using the framework contract.

Surrey Jobs. Pool the resources of public sector employers in Surrey to deliver major efficiencies in recruitment processes and reduce advertising costs. The partners include 12 councils in the area as well as commercial and other public sector partners.

Essex County Council and Brentwood Borough Council. Since 2007 have shared the post of chief executive – this arrangement has facilitated the sharing and pooling of back-office functions and accommodation.

Cotswold and West Oxfordshire District Council. Agreed to share a chief executive in November 2008.