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Universities UK

Jisc

Opportunities for efficiency through shared services

Universities UK Transformation and Efficiency Taskforce

Contents

Foreword by Sir Nigel Carrington

When Universities UK (UUK) launched its work on transformation and efficiency overseen by a taskforce which I was asked to chair, the aim – above all – was to be genuinely useful and practicable to a sector facing significant and varied pressures. We wanted to give our world-leading universities resources and support to collaborate to find efficiencies and to help create an environment more supportive of transformative collaboration. But collaboration is not just about reducing costs, it can also increase effectiveness, and improve the experience of staff, students and our wider communities. That is why I'm delighted to see the publication of this report which meets those core aims. It builds on the opportunities identified in UUK's 'Towards a new era of collaboration' report, and is a great addition to sector resources now available to our universities.

Jisc – building on their existing expertise in the area and working with UUK's taskforce – has produced this report setting out opportunities for efficiency through shared services. Universities already have a rich history of collaboration, using their collective expertise to deliver for their communities. But this report acknowledges where they can go further in regard to shared services, both to utilise the existing offer, and practical models that universities can follow in establishing new ventures.

In my conversations across the sector, I know that there is great appetite for deeper collaboration, but we know that barriers exist. Here, Jisc identify some of those barriers and offer practical solutions for overcoming them, including action needed from sector networks and government. However, as Jisc set out, to be successful shared services must be sector led, and so I urge universities to consider how best to apply the actions in their own contexts.

I would like to offer my sincere thanks to Jisc for supporting the work of the taskforce and producing this important resource.

Sir Nigel Carrington Chair, UUK Transformation and Efficiency Taskforce

Executive summary

In November 2024 Jisc and KPMG published Collaboration for a sustainable future, which identified key areas where collaboration can bring benefits to UK Higher Education. Building on this work, as part of the UUK Transformation and Efficiency Taskforce, Jisc was commissioned to explore opportunities for efficiency through shared services.

This report presents their research and work. It draws on sector-wide consultation - including a survey of over 60 institutions and follow-up workshops - to assess current provision, identify barriers to scale, and propose practical actions to strengthen and expand shared services across the sector.

HE already has an extensive system of shared services. Some are so fundamental it is hard to imagine the sector without them: e.g. Janet network connectivity or the UCAS admissions service. There are many other long-standing shared services in UK HE which are relatively unknown, in areas including audit, consultancy, finance, HR and IT. These services are success stories, delivering financial savings and excellent service to their customers, but they are only serving a subset of the sector. This report calls on the sector to increase take-up of these existing shared services, helping them expand further to deliver more benefits.

The best shared services appear obvious in hindsight, and yet creation of new shared services is perceived as difficult.

The report analyses the success factors necessary for new shared services and provides advice for those establishing them.

Universities have a new willingness to consider shared services across almost all areas of their operations. This report calls on HE institutions to adopt a shared services first mindset when requirements arise. It calls on sector networks to convene groups of institutions, establishing collective approaches and enabling efficiency at scale. It calls on shared service organisations to work more closely together for benefit of all.

The UK higher education sector has a long history of successful shared services

There are shared services in areas including audit, consultancy, finance, HR, IT, and many others. The history of these services demonstrates a pragmatic, bottom-up approach to shared services. They were created by identifying opportunities for obviously useful services, which institutions were willing to pay for. They started with a narrow, specialist approach: identifying one task at which they can excel, before later expanding into adjacent areas.

Across the public sector there are many examples of large, monolithic shared services initiatives which have exceed budgets and failed to deliver the expected benefits. A top-down, mandatory approach to shared services across HE would not be successful, if it were even possible in a sector of independent, autonomous institutions.

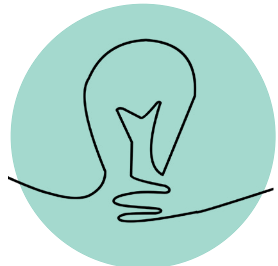
To achieve greater benefits, the sector needs to collectively back its existing shared services

Most shared services serve a fraction of the sector. With assistance, they could achieve greater market share and provide benefits for more institutions.

HE has some shared services with universal coverage (e.g. UCAS admissions, the Janet network) but these are the minority. We would encourage individual institutions to adopt a ‘shared services first’ mentality: before creating a service in house or contracting with a commercial provider, first consider if there is a shared service which will meet the requirement. Some existing shared services suffer from a lack of awareness.

The sector would benefit from a single catalogue of all HE shared services, promoted and updated for the benefit of all.

Many shared services reach a certain point and then have difficulty scaling beyond that



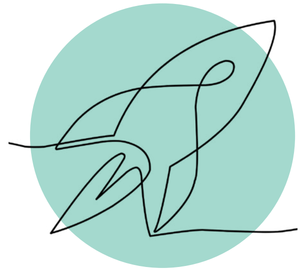
Potential customers need confidence that the service is financially stable and will still exist into the future. They also need to be assured that the service is well-aligned with the needs of the sector and will deliver value. Small, shared service providers are often owned by their members and governed by a representative board. This works well to a certain point, but as the service grows it becomes more difficult for the service to manage relationships with many institutions across a diverse sector.

To enable expansion, services need funds to invest in new staff and systems. For services delivered by standalone non-profit companies this can be difficult. It is particularly difficult for shared services structured as a VAT cost sharing group to generate funds for expansion. To comply with the criteria for VAT cost sharing, the provider can only levy charges which cover the direct costs of providing the service.

Services owned by an individual university, a regional purchasing consortium, or one of the national sector bodies, may find it easier to access funds for expansion. Potential customers may have greater confidence in a shared service backed by a large university or a well-established sector organisation. Many successful shared services have reached a certain point and then been merged into a national sector organisation to enable the next stage of their growth.

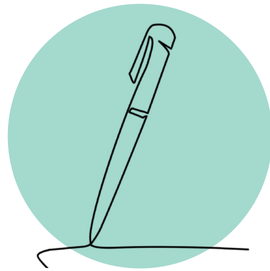
For many shared services, simple lack of awareness is a real barrier to growth. Most shared services spend very little on marketing. Some shared services are concerned that excessive expenditure on marketing could be construed as distorting competition. This may mean that they would no longer qualify for the Teckal exemption that permits direct award of contracts to the provider.

Sector networks should use their convening power to help shared services scale further



For Teckal-compliant services it is possible to directly award contracts without tendering. In these cases, it should be possible for sector networks (UUK, AHUA, BUFDG, etc) to convene interested institutions and make a collective decision that they will all participate in an existing shared service. Many services will be able to deliver lower costs and greater benefits as their market share increases, e.g. from pooling of risk (as in insurance), network effects (as in recruitment), and collection of comparative data (as in audit and consultancy). This would be to the mutual benefit of the sector.

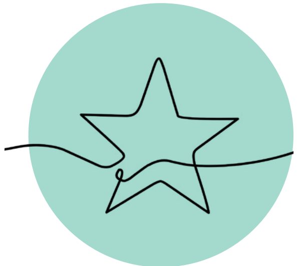
HE should continue to pursue a pragmatic, bottom-up approach to the creation of new shared services



Institutions are now willing to consider new shared services in almost any area of activity. There are certainly opportunities for new shared services.

To create a new shared service, it is essential to have strong, close relationships between institutions. These are most likely to exist regionally amongst a small group of institutions, but may exist in other networks, e.g. in mission groups. Creation of a shared service should be led by an individual well connected and well regarded in the sector. It needs an entrepreneurial approach: considered as a business, with a strong business case. The shared service must be able to show that it can deliver benefits and can cover its costs in a reasonable period. Even where there is a strong business case, there will be a need for seed funding to establish the service, and a source for this must be identified. If funding is not available, other creative approaches could include seconding staff from institutions to the shared service provider for the startup period.

The sector should strongly advocate for shared services, celebrate them, and create the conditions for their success



Promote a culture of collaboration and co-operation across institutions. Improve co-ordination between shared service providers, so they complement each other rather than compete. Publicise and celebrate existing shared services, increasing awareness, and take collective action to increase adoption. Create the conditions for new shared services by encouraging an entrepreneurial approach to new opportunities: demand strong business cases, then back these with appropriate startup funding.

Actions

Actions for universities

- Adopt a 'shared services first' mindset when new requirements arise
- Reassess internal operations and consider new opportunities to share services
- Collaborate with neighbouring institutions to replicate models that have worked in other regions

Actions for sector networks

- Increase awareness of existing shared services through a central shared service catalogue
- Convene groups of institutions, to consider potential joint commitments to subscribe to existing shared services, increasing their scale.

Actions for shared service operators

- Shared service operators should meet regularly to increase co-ordination between them
- Regional shared services providing the same service should consider merging, where online working has removed the original advantage of location
- Individual universities operating shared services should consider transferring ownership of their shared service to other organisations, but only when natural opportunities arise

Actions for government

Government should implement one of BUFDG's proposed improvements to VAT Cost Sharing

Groups, creating opportunities for shared services in new areas of activity.

Introduction and background

Background

In 2024, Jisc and KPMG published Collaboration for a sustainable future, which identified key areas where collaboration can bring significant benefits to UK HE. Building on this work, as part of the UUK Transformation and Efficiency Taskforce, UUK commissioned Jisc to consider how to provide efficiencies through shared services.

UUK conducted a survey of senior university leaders in early 2025, to determine their priorities for collaboration. Over 60 institutions responded, with contributions from Vice-Chancellors, DVCs, Chairs, COOs and CFOs. Respondents were asked to identify shared services that could provide efficiency savings for the sector and prioritise the opportunities they wished to be developed further.

Responses were discussed further through workshops with sector stakeholders at UUK, Jisc and AHUA events. The Taskforce then asked Jisc to explore opportunities in this space, and this report outlines their work and findings:

- **A proposal to build on the success of existing sector shared services, and explore new opportunities (this document).** In researching shared services Jisc and UUK identified that there are large number of existing shared services providers, already operating successfully. Some of these are relatively unknown. Many have potential to expand. This document gives recommendations to enhance the ecosystem of shared services providers across UK HE, growing existing providers and where appropriate creating new providers.

Why share services?

With the financial situation in UK HE, attention has turned to shared services as a method to improve efficiency in the sector. Shared services are just one possible efficiency measure, and not all shared services are efficient. We must be careful not to assume that a service is efficient merely because it is shared.

Unfortunately, parts of the public sector have a history of making exactly that assumption. This can lead to large, monolithic shared service initiatives which go over budget and deliver fewer benefits than planned. For example, the National Audit Office identified that the project to implement shared back-office services for the seven Research Councils cost £130m, against an initial budget of £79 million, at 2007-08 prices.[1] This was due to an initial imperative that services must be shared, followed by an inadequate business case and poor planning.

1 National Audit Office Report Shared Services in the Research Councils, October 2011

How much could be saved though shared services?

In contrast, the best shared services do indeed deliver efficiencies and/or improve service. In 2013 EY produced An Assessment of Shared Services in Scotland's Higher Education Sector. EY estimated that a shared service can reduce costs by 6% to 10%, compared with the cost of a lean and efficient in-house service.[2] 6% to 10% savings are significant and welcome, but not sufficient to resolve the financial challenges HE faces.

Individual institutions may wish to use the EY estimate of 6% to 10% at an early stage of considering whether to share a service. For the sector as a whole, it would be useful to gather data on actual spend across major professional service areas. This data will be difficult to obtain, but may be available through one of the existing commercial benchmarking functions.

Are shared services a good strategic fit for the HE sector?

Jisc spoke with stakeholders who were positive and optimistic about shared services as a good fit for HE, while others saw huge difficulties with the concept. There are certainly strong factors for and against.

Factors against:

- The HE sector is composed of separate institutions that value their autonomy. It is difficult or impossible to mandate change centrally, in the way that is possible e.g. within the NHS. Change must come through mutual agreement.
- The sector has low levels of standardisation. There is a high degree of customisation and bespoke design in the systems and processes at each institution.

Speaking positively, the factors against also represent opportunities. Autonomous institutions can collaborate if they wish, it is certainly within their power to do so. Historic high levels of customisation imply that that is certainly scope for cost savings through standardisation – this process may be difficult, but highly effective when it is achieved.

Factors for:

- Despite competition for student recruitment and research grants, there is a strong culture of cooperation within HE.
- Shared services in HE already exist and are successfully delivering benefits. Some of these services are long established with excellent reputations. Many have an opportunity to grow their market share and deliver benefits to more institutions.
- There is a willingness to change and consider sharing in areas previously thought to be unacceptable

2 An Assessment of Shared Services in Scotland's Higher Education Sector, EY, August 2013 (page 11)

“I would consider sharing almost any service: pretty much anything except student recruitment. It would all depend on the business case.” — *Chief Operating Officer*

The concept of shared services appear is appealing for many but not all stakeholders. There is potential for more shared services in a variety of areas. A strong business case is essential, which will be possible for some areas of activity.

Background to this report

In this work, Jisc have drawn lessons from existing successful shared services, identifying common ingredients for their success. This document builds on prior work from Jisc, notably Collaboration for a sustainable future (Jisc/KPMG, November 2024). This report highlighted factors necessary for new collaborations to succeed: trust, governance, senior leadership support and a shift towards a collective mindset.

We have also drawn on good work from other sources. In 2013 EY looked specifically at HE shared services in Scotland. In An Assessment of Shared Services in Scotland’s Higher Education Sector, EY said:

“Moving forwards, to overcome the multifaceted nature of the challenges and barriers to collaboration, perhaps a more effective way forward might be to adopt a strategic and coordinated, sectoral response.

“In our experience, mandating shared service ventures without a strong evidence base and collective buy-in is a recipe for costly failure. We believe that the agenda must continue to be pragmatic, pushing the boundaries and scope of what has already been done (increasing the scale), building and replicating models that have worked (doing more of the same), accelerating the organic growth by systematically increasing the visibility of opportunities at a sector level (using the professional groups to drive the agenda). It might also mean revisiting areas that have previously been considered ‘out of scope’ and considering if other models might be more appropriate.”

Alternative options to deliver efficiencies

As part of our consideration of shared services we should also mention other options to deliver efficiencies. Some of these may also be pre-requisites before a service can be shared. Some may be stacked with sharing a service to deliver even greater efficiencies.

Optimise in-house services

Individual HEIs are at different points in their transformation and efficiency journey. Some are undoubtedly operating efficient services, others less so.

If a service has been operated as is for a long period of time, it is likely to provide good opportunities for savings. It is best practice to reform a service in-house before attempting to transfer it to a shared service

provider or a commercial outsourced provider. If the service is unreformed, with unusual requirements and bespoke customisations, this will be difficult for the new provider to accommodate, and the provider will price their service higher.

Best practice to improve services is shared by the various HE professional associations. Sector bodies including AdvanceHE, Jisc and SUMS Consulting can all provide consultancy to help institutions optimise their services.

Standardise in-house services

Universities have a history of demanding distinct and bespoke variations to services. There is an increasing realisation that this comes at huge cost. Some universities have addressed this, others have not.

There are two levels to standardisation:

1. Agreeing a single process across the university, to apply to all departments
2. Accepting that the university will follow the standard, out-of-the-box process (e.g. as defined by their ERP or VLE software), rather than commissioning bespoke software changes to fit a pre-existing process.

Merge in-house service units

Some universities have merged separate professional services functions into a small number of larger units, led by a single senior staff member. This delivers an immediate saving by reducing senior pay. It may reduce barriers to professional services collaborating, e.g. through sharing of service desks.

Contract out services to a commercial provider

Some universities contract out services previously provided in house. Catering and cleaning are examples of services which have been contracted out in many institutions. There have been examples of contracting out more complex services, e.g. IT provision, although these are far rarer.

In theory, contracting out services should provide two major benefits:

1. The specialist knowledge and experience of the provider.
2. The scale of the provider, leading to efficiencies.

The first of these, specialist knowledge and experience, can be a genuine benefit. However, scaling efficiencies only materialise when the provider can deliver a near-identical service to all customers. In practice if you visit a large, outsourced service provider, you are likely to see distinct teams for each customer. The requirements of each customer are different and so the service provision is different. There are no efficiencies from scale.

Why is contracting out not more common within HE? There are four major disadvantages:

1. Establishing the outsourced function is a slow and complex process.

It requires a specification for what is to be outsourced. The more complex the service the more difficult these are to create.

2. Once the service has been outsourced there is less agility to respond to changes in business requirements, changes in the regulatory environment, and changes in technology.
3. For services over a procurement threshold there is a requirement to re-tender the service at regular intervals. This is disruptive. Exit costs from a provider at end of a contract can be high, including potential requirement to take on the supplier's staff via TUPE.
4. Many HEIs have a lack of expertise in managing these complex contracts over their lifetime. The HEI needs an intelligent client function that has knowledge of contract management and also has domain knowledge of the specific outsourced function.

Shared services within HE may be attractive due to a desire to obtain savings from contracting out - but with a hope that this can be done through contracting with an organisation that is part of the sector, whose interests are aligned, and who can be trusted to be responsive.

Current shared services in UK HE

Example shared services

This is an indicative list, not comprehensive. It is intended to give a sense of the diversity of services but also the factors they have in common, some of which have led to their success.

Many of these services are extremely well established, dating back over thirty years. Several were founded in 1992, following the Further and Higher Education Act which ended the binary divide between polytechnics and universities.

Low value/high volume services

These high-volume services are classic opportunities for shared services, similar to services shared in other areas of the public sector:

High value/low volume services

Many of these have fewer integrations and touchpoints with other services, which can make them good cases for sharing:

HE-specific services

This category of services may be less available from commercial shared service providers. There may be opportunities for the sector to establish new shared services in this area:

Not included in the above list are:

- Services which are universally required across institutions (principally the undergraduate admissions service UCAS)
- Shared infrastructure (e.g. supercomputing)
- Shared buildings and facilities (e.g. shared sports grounds)
- Procurement frameworks
- Reciprocal access arrangements (e.g. SCONUL library access, BUCS gym access)
- The large number of data, digital and technology services operated by Jisc.

Area	Provider	Operated by	Status of provider	Number of customers	Established
24/7 IT service desk	Norman Managed Services	University of Northumbria	University	40 HEIs	2006
Payroll bureau	Warwick Employment Group	University of Warwick	University	5 HEIs	

Area	Provider	Operated by	Status of provider	Number of customers	Established
Insurance	UMAL	UMAL	Non-profit mutual insurer owned by members	110 HEIs	1992
Internal audit	Uniac	Uniac (based in Manchester)	Wholly owned by members as an unincorporated association (no separate legal status)	22 HEIs	1992
Internal audit	KCG	KCG (based in Kingston)	Non-profit limited company owned by members	10 HEIs	2005
Information Security and Data Protection Shared CISO, DPO and Information Rights Officer roles	HEFESTIS	HEFESTIS	Non-profit limited company owned by members	Commercially sensitive	2018
Replacing or supplementing internal procurement functions	Procurement Shared Service	APUC	Non-profit limited company owned by members	6 HEIs, 18 colleges	

Area	Provider	Operated by	Status of provider	Number of customers	Established
Executive recruitment, academic recruitment, Interim appointments	SearchHigher	University of Warwick	University	Commercially sensitive	
Advertising vacancies	Jobs.ac.uk	University of Warwick	University	1400 employers, including UK and overseas universities	1998
Temp staffing	Unitemps	University of Warwick, with further regional operations on a franchise model	University	14 franchises covering 20 HEIs	1997

Shared services which were later absorbed into a larger organisation

Area	Provider	Operated by	Status of provider	Number of customers	Established
Student mental health and welfare	Mental Health University Liaison Service (MHULS)	Pilot project operated by Cardiff and Vale University Health Board and 4 HEIs in the Cardiff area	Staff employed by NHS but physically located within universities	4 HEIs	2022
Hosting of Virtual Learning Environment	CoSector	University of London	University		2015
HE-specialist consultancy	SUMS Consultancy	SUMS Group	Non-profit limited company, owned by members.	56 HEIs	1992

There is a risk of survivorship bias in the list above: if we focus only on those services which continued as independent entities, we won't uncover learning points from the services which ceased operations or which were later taken over by larger organisations.

The Education Shared Information Security Service (ESISS)[3] is an interesting example of a service which did not survive as an independent entity, although its activities were absorbed into Jisc and continue to this day. ESISS offered penetration testing, a method of evaluating cybersecurity by attempting to attack a system. Penetration testing was already offered by commercial providers, but such services were extremely expensive. It was thought that a shared service within the sector would offer better value. ESISS was established in 2009 by the East Midlands Metropolitan Area Network (EMMAN), a company owned by a group of eight universities in the East Midlands. The ESSIS

3 http://www.efficiencyexchange.ac.uk/3877/esiss-shared-service-information-security-higher-education/

service obtained seed funding from HEFCE and EMMAN, and then became financially self-sufficient within a year.

The service expanded beyond the original eight universities and was offered nationwide. In 2013 the other activities of EMMAN ceased but the ESSIS service was transferred to Jisc. ESSIS continues to this day and is now known as the Jisc Penetration Testing service.

This is an example of a service which met a need, became financially self-sufficient, grew from regional to national scale, and then found an appropriate long-term home as part of a larger organisation.

VAT and procurement considerations

VAT treatment of shared services

When a university contracts with a third-party, VAT at 20% will typically be charged on the supply. This can be an economic barrier to establishing shared services. Moving from an efficient in-house service to an efficient shared service may deliver savings of under 20%, in which case the VAT charge will more than eliminate the saving.

There are potential options to overcome or ameliorate this. For example, an institution may choose to continue employing staff in-house, but have the delivery of staff managed by the third-party shared service provider. In this scenario VAT is only charged on the management cost. VAT is not always a barrier to shared services.

In 2012 HMRC introduce the Cost Sharing Group VAT Exemption, intended to assist universities and other public sector organisations when creating shared services. A shared service can be created as a Cost Sharing Group (CSG) when two or more universities set up a separate organisation to supply the universities with qualifying services. There are strict criteria for a CSG to apply. In particular the services must be supplied at the cost of provision: the CSG cannot make a profit on the supply of qualifying services.

Some sector organisations, including APUC, have been able to establish CSGs for some of their activities. Other sector organisations have found the CSG exemption to be unworkable in practice. They have either not adopted it, or in some cases adopted it and then later abandoned it.

In February 2025, BUFDG submitted proposals to reform the CSG VAT exemption, with the intention of encouraging shared services. In Towards a new era of collaboration, the first report of the UUK Transformation & Efficiency Taskforce, UUK called on government to implement one of BUFDG's proposed solutions to make the VAT exemption more practically workable. Jisc echo that call in this report.

Procurement of shared services: opportunities for direct award of contracts

For contracts over a certain threshold, a university or other public body can generally only contract with a third-party following a competitive tendering process.

The long-standing Teckal exemption allows a university to award a contract without tender to another organisation within its corporate family. For example, a direct award can be made to a subsidiary organisation owned by the university, or an organisation owned and controlled by a group of universities. There are strict criteria for the Teckal exemption to apply. These include that the arrangement must not distort fair competition in the market.

The Teckal exemption can benefit both the customer and the service provider. It can allow for longstanding, strategic arrangements. It avoids the time delays and costs associated with tendering, retendering, and exit costs from the previous provider.

Operation of the Teckal exemption is not straightforward. If the exemption is to apply great care must be taken when constructing the corporate structure and operating arrangements of the shared service. Care must also be taken to ensure the service remains compliant over time.

Compliance with the Teckal exemption can act as a barrier to growth and diversification of shared service organisations. For this reason, some shared services have chosen to establish themselves as Teckal compliant, others have not.

Four models to operate shared services

Jisc identified four distinct models to operate shared services:

1. One university offers services to several other universities
2. Universities co-operate through an unincorporated association with no legal entity
3. A non-profit sector organisation offers services to universities
4. A group of universities collectively contract with a commercial third-party for services

Model	Example	Advantages	Disadvantages	Adopt this model when
One university offers services to a group of other universities	Norman IT Service Desk, operated by University of Northumbria jobs.ac.uk, SearchHigher and Unitemps operated by University of Warwick.	**Potential for the providing university to increase income** and make a commercial return on the service Relatively easy to establish	For the providing university, offering services to other HEIs may be a distraction from core mission Small HEIs who are potential customers of the shared service may not trust a larger university as the service provider	Startup costs are low An individual institution has recognised expertise in an area
Universities co-operate through an unincorporated association with no legal entity	Model adopted by the Uniac internal audit service	**Easy to establish** Minimises overheads	Lack of an incorporated legal body may leave members exposed to liabilities	Joint ventures between two institutions (e.g. shared sporting facilities) Early exploration to pilot ideas that may become larger services

Model	Example	Advantages	Disadvantages	Adopt this model when
A non-profit sector organisation offers services to a group of universities	Regional purchasing organisation (e.g. APUC), national sector organisation (e.g. Jisc)	**Potential to deliver services at lowest possible cost** Sector organisations can create a VAT-efficient Cost Sharing Group, provided certain conditions are met. **Potential to direct award contracts to the shared services supplier, and create a long-term strategic relationship without regular retenders.**[1] This is a substantial advantage over other models.	Some startup funding is required. This could be a commitment from initial customers, grant from suitable funding source, or willingness of an existing sector organisation to absorb a loss from the new service while it is in a startup phase. Creating a Cost Sharing Group is complex and limits the flexibility of the providing body.	A good long-term model

5 This is possible under the Teckal and Hamburg exemptions (also known as vertical and horizontal exemptions). These permits public bodies to co-operate to achieve common objectives in the public interest.

Model	Example	Advantages	Disadvantages	Adopt this model when
A group of universities collectively purchase services from a commercial third-party	The Shared Data Centre Service was originally established by a collective tender organised by Jisc and a group of London universities	**No need for startup funding from the HE sector.** Despite recent financial issues, universities remain relatively low risk. A regular recurring income stream from universities is an attractive prospect. The commercial sector may be prepared to invest to create a shared service, in exchange for later expected return.	Agreeing requirements across the customers and contractual terms with provider is a slow and involved process. Supplier management is a challenge.	Consider when upfront capital requirements are particularly high

Conditions for success of shared services

Common success factors

Jisc reviewed long-standing shared services in HE and spoke with some of the individuals responsible for their success. Jisc identified six factors, common to most or all services:

Relationships:

5. Started small and regionally, benefitting from strong, close relationships
6. Driven with energy and commitment by key individuals with a high profile in the sector

Skills:

7. The service is based on high-level specialist and technical skills that are difficult for an individual institution to provide
8. Remained specialist, carrying out either one activity or a group of related activities

Funding:

9. Has a strong business model, with an obviously useful service institutions were willing to pay for
10. But started with seed funding from a regulator or other grant awarding body to establish the service

Challenges

In Collaboration for a Sustainable Future, Jisc and KPMG identified a major obstacle to collaboration: different policies and procedures across different institutions.

> **"The major technical obstacle to collaboration is the inconsistency and lack of standardisation of processes, data structures, and wider operational models endemic both within institutions and across the sector. Issues of licensing, security and data privacy can be overcome technologically; but common systems or services require common approaches."**

Other barriers include:

- Lack of upfront capital to establish a shared service. In the past many shared services were established with a capital grant from a regulator, such grants are now far less available.
- Lack of trust in any new provider of shared services. Institutions will need to be assured that the service and its operator are a stable partner for delivery of key services.

Observations

Large, monolithic projects are not the answer

HE doesn't have the time to wait while establishing slow, monolithic projects. The sector doesn't have a good source of capital funding to get them off the ground. In other parts of the public sector there are too many examples of monolithic shared service organisations that have overspent and under delivered. And there are no reasons to think that large, monolithic projects would be more successful in HE than in FE, NHS or local government.

Establishing a new shared service requires strong relationships between the founding parties

It is essential to have strong trust and good relationships between the founding parties.

The Local Government Improvement Agency suggests that:

> **"80% of time should be spent on partner relationships and 20% on writing the shared service business case."**

The Association of Colleges[4] say:

> **"Don't start your shared service journey by comparing processes or writing business cases. Instead, focus on building strong trust and a shared vision between the Boards of your College partners before embarking on business case activity. The trust will come from regular joint meetings of the Boards and the co-creation of the shared service solution."**

In HE, shared services have often started as regional collaborations. It is easier for collaborations to take place when there are already good relationships between the parties, an element of trust that can be strengthened and deepened. These relationships are not always regional. They might exist within a mission group, for example. But many successful shared services came from regional relationships.

Growing shared service organisations to the next stage is difficult

The first few years for a shared services organisation can be difficult. Any initial startup funding has been spent. Early business cases may be over optimistic. It may require further investment from the founding partners, requiring them to keep their faith in the new organisation.

6 Pocket Guide to Shared Services, Association of Colleges, 2010

A new organisation has little reputation. Other organisations may not trust that it will be a stable delivery partner, able to deliver for the length of a contract.

A separate organisation with own legal identity has overheads which must be covered. Cashflow can be an issue. Many shared service organisations within the sector are non-profit making. But some surplus is required to invest in expansion.

Some shared services are best delivered on a regional basis and should remain small. But the Transformation and Efficiency Taskforce is looking for significant improvements which will make a difference UK-wide.

SUMS Consulting is an example of an organisation which has stayed as an independent non-profit but successfully grown. The original name, Southern Universities Management Services shows its regional roots, but SUMS now operates nationally and internationally. SUMS remains owned by its members, who have now grown to 60 institutions across the UK and Ireland.

In contrast other services demonstrate the value of a benevolent parent, willing to keep the service under its wing while it grows and develops. Norman Managed Services operates shared IT service desks for 40 HEIs. It started with ownership shared by a regional group of universities in the northeast of England. Ownership was later transferred solely to the University of Northumbria. They patiently managed the service for many years, investing to grow it, before the service became financially self-sustaining.

A shared service provider will only grow if it has good product-market fit: the provider has a good product, the product fulfils customer requirements, and the provider has a reputation that it delivers well. Potential customers need to be assured that the service will deliver value. Shared service providers are often owned by their members and governed by a representative board. When shared services are small this is a good mechanism for services to ensure alignment with the needs of their members. As the service grows it becomes more difficult for the service to meet the requirements of all stakeholders, and manage relationships with many institutions across a diverse sector.

Potential customers also need confidence that a shared service provider is financially stable and will still exist into the future. They need to be assured that there is a development plan for the service over the long term, and the service will not cease if there is a change of strategy in the organisation that hosts it. Ownership by a large, well-established sector organisation may provide that assurance.

How to create a new shared service

When does it make sense to establish a new, sector-owned shared service?

Some areas of activity have characteristics which make them a natural fit for shared services. Shared services in these areas are more likely to be successful. Natural opportunities for shared services arise when one or more of the following apply:

To pool risk

The Universities Superannuation Scheme (USS) and UMAL, the insurance provider, are examples of coming together to pool risk.

To benefit from network effects

When network effects occur, the service is intrinsically more valuable the more usage it gets. Examples include establishing a marketplace of sellers and buyers in the same place, like jobs.ac.uk or UCAS.

To exchange comparative data

Member of SUMS Consulting, plus Uniac and KCG audit services, benefit from comparative data and exchange of best practice with other members.

To benefit from efficiencies of scale

A larger service can smooth over variations in demand and so be more responsive to its customers. The Norman IT Service Desk provides a 24/7 out of hours service for 40 universities, which would not be economic to provide individually.

Universities may benefit from sharing services which are currently delivered by relatively small teams.

To draw on specialist or technical skills that are difficult to recruit

Consider e.g. cybersecurity expertise, as provided by the Jisc security operations centre

When the requirement is new

The original Janet network is a good example. Janet network connectivity between universities did not displace anything that already existed within individual institutions. It also met a need that could not be delivered by commercial providers.

When it doesn't make sense to establish a shared service

Other activities have characteristics that make them a poor fit for a shared service:

When many integrations would be required with the university's digital systems

It is easier to share a service that is relatively standalone, rather than one with digital plumbing and wiring to other systems. All these integrations need to be reimplemented, often for each new customer.

When requirements across different universities are disparate

You won't get efficiency savings from scale if delivery is different for each institution: e.g. if expenses policies vary between institutions, a shared expenses system is unlikely to be efficient.

Where the service directly differentiates the university from its competitors in recruiting students and winning research income

Note that most activities in an institution do not yield competitive advantage in recruiting students or winning research income. The exceptions which do yield competitive advantage are generally obvious, e.g. the institution's student recruitment function.

When service is large and complex, such that it is impossible to clearly define customer requirements

If an institution can't define their requirements they shouldn't outsource, whether that's to a sectorowned shared service provider or a commercial provider.

When the institution needs to retain agility to meet changing business requirements

If you can't predict what your business requirements will be in six months' time, you can't outsource. Business requirements may change due to rapidly developing technology or sudden changes in the regulatory environment.

When the service is already well-provided for by commercial options

Where good commercial options exist the HE sector will gain more benefit from adopting a commercial service rather than attempting to duplicate it.

A possible exception is where the commercial options are not operating in a competitive marketplace. If commercial options overcharge for a service, it may be worth creating a sector-owned option. However, this is risky. The incumbent commercial operation may simply lower prices in the short term, as an attempt to drive out the new competitor

Hosts for new shared services

A shared service should be considered as a business. There must be a service with obvious value, that customers are willing to pay for. The service must have a business plan that will enable it to cover its costs. There should be an opportunity to grow and scale the service.

Creating successful shared services therefore requires an entrepreneurial approach. We should think of shared services from a bottom-up perspective, not top down. The strongest opportunities are likely to arise in conversations between people active in the sector, who know their own areas of activity well.

Services could be hosted by five types of organisation:

There is no one-size-fits-all model for who should own and operate shared services.

There may be a pathway to growth: services start small and regionally, demonstrate they are viable, and then transfer to a national organisation for scale once the opportunity has been proven.

	Organisation	**Advantage**
1	University	• Well-established. Seen as a trustworthy and dependable partner by other universities • May have existing expertise running an internal service which is then offered to others • May be willing to take a long-term view, to invest in a service to grow it
2	Regional purchasing consortium	• Many shared service opportunities arise regionally • May have expertise in creating a VAT Cost Sharing Group for best value for money • May have expertise in creating a Teckal-compliant shared service (this permits customers to directly award contracts to the service without a competitive procurement process)
3	A new non-profit company owned by its members	• This provides the member universities with control over direction of the service, to ensure it is responsive to changing requirements

	Organisation	Advantage
4	National sector organisation	• Good fit with mission of the organisation • Has scale to deliver services which can provide benefits UK-wide
5	Commercial partner	• May be willing to invest capital upfront for a commercial return • May have relevant specialist expertise

Conclusions and recommendations

UK HE has a history of successful shared services. There are opportunities to build on this and extend shared services to new areas.

Top-down, monolithic shared services are rarely successful. Instead, the sector's response to shared services requires a pragmatic and entrepreneurial approach: multiple individuals and organisations who can see business opportunities, and then build the relationships required to get an opportunity off the ground.

There is greater willingness to shared services now than ever before, including in areas that previously would have never been considered. New shared services will only be successful where they have a strong business case: where the service is something that institutions are willing to pay for, and which can be delivered more cost-effectively through a shared service. The most successful shared services arise where there are opportunities to pool risk, to benefit from network effects, to draw on specialist skills, and to benefit from efficiencies of scale.

For further shared services to succeed and deliver efficiencies, activity is needed at sector-wide and at individual institution level.

- Nationally, the sector can create the conditions that will help shared services to be successful: increasing their visibility and encouraging their uptake. The sector can come together through sector networks (e.g. UUK, BUFDG, and AHUA), to create a culture in which shared services are recognised and celebrated as an essential part of the sector, operating for mutual benefit.
- Locally, individual institutions can adopt a shared-services first approach: look at the shared services that are already available, before creating a new in-house service or subscribing to a commercial service. They may also wish to look for opportunities where they can be entrepreneurial and offer a shared service to other institutions.

Actions

Actions for individual institutions

Adopt a 'shared services first' mindset for new requirements

When a requirement arises, first review the sector's existing shared services. A shared service will not always be the right solution. But if a shared service exists, evaluate it first before creating an in-house service or conducting a tender exercise for a commercial solution.

Consider the long term rather than the short term. A commercial solution might offer good value in the first year to attract a new customer, but a shared service provider owned by the sector should offer good value for the long term.

Collaborate with neighbouring institutions to replicate models that have worked in other regions

Some services have a natural regional fit. Temporary staff do not relocate long distances for temporary contracts, so a temp agency focuses on one city or region. Unitemps was originally established by the University of Warwick, to provide temp staff at lower cost than commercial temp agencies. It now operates on a franchise model, serving cities from Canterbury to Edinburgh. Unitemps has processes and technology that have been proven to work. It can easily be replicated by groups of universities in additional cities.

In Cardiff the MHULS mental health university liaison service is operated as a collaboration between universities and the NHS in that region. In Manchester, the Great Manchester Universities Mental Health Service operates a similar model. There are opportunities to replicate this model for student mental health in other major cities.

Reassess internal operations and consider where there are opportunities to share services

Institutions consulted by Jisc reported that that they are willing in principle to consider shared services in almost any area, except perhaps student recruitment. Whether any specific opportunity is worth pursuing will depend on the business case for that service: does it offer a good service at a good price?

Actions for sector networks

Increase awareness of existing shared services through a central shared service catalogue

Lack of awareness is a barrier to the growth of existing shared services. In authoring this report, Jisc found many examples of people suggesting opportunities for new shared services, for others to respond that such a service already exists.

We therefore recommend the creation of a central catalogue of existing shared services owned and operated by the HE sector. These services may be offered by national sector bodies, regional purchasing consortia, non-profit member-owned companies, unincorporated associations or individual universities. The catalogue should be in two parts: shared services structured to permit customers to directly award contracts to the service, and shared services where customers must follow usual competitive tendering procedures.

A communications plan will be needed to promote this shared service catalogue, with repeated messaging for different forums. A process will be needed to update the catalogue at regular intervals as new services are created.

Jisc also encourages sector-owned shared services to obtain a web presence under the .ac.uk domain rather than the .com or .co.uk domain. This helps them stand out from commercial competitors. Any organisation whose core mission is tertiary education and/or public research, and any body which is substantially owned by such an organisation, can obtain an .ac.uk address.

Convene groups of institutions, to consider potential joint commitments to subscribe to existing shared services, increasing their scale

Some shared services benefit from network effects: the more customers they attract, the more successful they will be.

Jobs.ac.uk, operated by the University of Warwick, was originally created by offering permanent preferential terms to those universities that agreed to be in at the start. This attracted 40 institutions who agreed to advertise all their vacancies on the site. The result was a critical mass of employers and candidates, that then attracted many other universities to join. Jobs.ac.uk is now a widely-used and well-known success story.

Sector organisations (UUK, AHUA, BUFDG, UHR, AUDE, etc) have the convening power to bring universities together to discuss similar commitments. If enough universities commit to using a new shared service, it could become as successful as jobs.ac.uk.

In the past, sector networks may have been reluctant to convene such conversations, due to caution over procurement regulations and competition law. However, such joint commitments are completely possible for the many shared services which are compliant with the Teckal exemption, permitting a direct award of contracts. We anticipate that this report will help overcome previously over-cautious approaches, and encourage sector networks to convene such conversations.

Actions for shared service operators

Shared service operators should meet regularly to increase co-ordination between them

Where sector-owned shared services exist, the sector should grow them in preference to creating something new. Duplicating shared services risks splitting the market and damaging competitiveness. Shared service organisations need opportunities to discuss challenges and opportunities in the sector. The sector should strengthen co-operation between the shared service providers it owns and operates, with a regular timetable of joint meetings. Potentially these joint meetings could develop into a lightweight UK Shared Services Council (UKSSC), by analogy with UKUPC, which brings together the eight regional purchasing consortia.

Regional shared services should consider merging, where online working has removed the original advantage of a regional operation

The sector has some examples of two shared service operators in a narrow niche, but in direct competition offering equivalent services. When shared service operators are non-profit making, there is no advantage in having multiple operators in competition with each other to bring down prices. Originally, there was a regional justification for multiple operators, with staff travelling from the provider to institutions in the region.

Post-Covid the prevalence of online working has removed the advantage of operating in a regional market. In these cases, the shared service operators should consider merging. This would produce a larger, more efficient provider. The larger provider would still focus on a narrow niche of services, avoiding the risk of monolithic providers.

Individual universities operating shared services should consider transferring ownership of their shared service to other organisations, but only when natural opportunities arise

Some services currently operated by individual universities could be better operated by a relevant sector agency. For an individual university a shared service can be seen as a distraction from the core mission. A sector agency is focused on services to the sector, and may have specialist relevant expertise, e.g. in running services within a VAT Cost Sharing Group.

But it would be a mistake to attempt a top-down, sector-wide re-organisation and transfer of wellestablished services. Available effort is better spent on improving these services and growing them rather than addressing the secondary issue of ownership.

Sometimes a successful shared service can be at risk of being orphaned. Organisational changes within the host university mean that it is no longer a good fit. In these circumstances the original host should seek a new operator for the service within a sector organisation. Such successful transfers have happened many times, including Bristol Online Surveys, which became Jisc Online Surveys, and UniDesk, which moved from the University of Edinburgh to HEFESTIS.

Actions for government

Government should implement one of BUFDG's proposed improvements to VAT Cost Sharing Groups. This would create new opportunities for shared services in areas currently considered unworkable due to an additional 20% VAT charge.

About Universities UK

At Universities UK, we harness the power of the UK's universities and create the conditions for them to thrive. We are their collective voice, bringing them together to pursue a common cause: thriving universities, serving society.

About Jisc

For more than 30 years, Jisc has pioneered digital solutions for UK education and research, transforming how knowledge is created, shared and used.

Guided by our values of leadership, responsibility, connection and progress, we're working with our members to build a better digital future for education, research and innovation.

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